

or to transfer money from one place or country to another, either by a cable transfer or by draft. It was estimated that there were afloat in London acceptances by bankers and wealthy merchants of drafts drawn on them from all parts of the world, representing the commerce of the seas and the finance of many countries, amounting to about £350,000,000 sterling. How under such circumstances could these be met? What would happen to the banks and others whose money was lent upon these bills, or by call or short loans, through the liquidation of which they kept their reserves in sound shape? To avert widespread ruin the Government on Saturday, 2nd August, proclaimed a moratorium for bills of exchange. Monday was fortunately a bank holiday, but an extended holiday until 7th August was made in order to enable a consideration of the whole financial situation to take place. The fate, not alone of London, but of the world, was at stake. A general moratorium for one month was proclaimed. Of this all could take advantage and therefore runs upon banks were practically impossible, but the banks placed no restrictions upon withdrawals when these were for business purposes. They only sought to prevent the hoarding of gold. The Government passed the Currency Act under which £1 and 10 shilling paper notes were created, convertible into gold at the Bank of England, but calculated to drive the golden sovereigns and half sovereigns into the hands of the Bank, where they might be very necessary before the war was over. The Government undertook to lend this paper money to the banks up to 20 per cent. of their deposits, and thus when the banks opened on the 7th some financial machinery existed for the transaction of business. Many other wonderful things had been done, such as the war risk insurance, but I am only touching upon finance.

Business, however, did not respond quickly. The shock had been too great. When the thirty days' moratorium expired how many would be able to pay their acceptances? Would the foreign banks, especially the banks of belligerent countries, be able to pay? How could we discount new bills freely if we were uncertain about our large holdings of these postponed