

Reserve has to be considered apart from the stock of specie held in the Issue Department of the Bank; it comprises only the amount of notes and coin held in the Banking Department, and the difference between their total and the liabilities of the same Department shows what is the reserve of specie immediately available in case of need.

It is stated that the immediate cause of the Bank rate being raised last week, was the demand for gold from Germany, with probability of a further call. The German government keeps an account with one of the London banks, which, as is customary, places its spare funds with the Bank of England. So, in this case, we have an illustration of the international range of the financial business of London, and the occasional dependency of the rate of interest upon circumstances wholly apart from the general state of the country.

The demand for gold by the Bank of Germany is not a surprise, as its stock of gold coin and bullion at the end of August was \$244,050,000, as compared with \$257,695,000 at same date a year ago, the decrease in the year having been \$13,645,000, while its discounts and advances in the same period had risen from \$189,885,000 to \$205,720,000, an increase in the year of \$15,835,000.

The position of the Bank of England at corresponding date, end of August, was as follows, compared with 1902 and 1901:

	1903.	1902.	1901.
Circulation (excluding Bank post bills),...	146,805,000	149,156,800	148,595,850
Public deposits,.....	43,898,700	46,139,120	46,228,000
Other deposits,.....	216,434,800	206,835,700	210,067,700
Gov't securities,.....	101,844,200	77,911,600	81,947,000
Other securities,.....	124,061,060	134,886,100	128,349,230
Reserve of Notes & Coin	125,962,770	131,368,800	137,330,300
Coin and bullion,.....	180,507,730	189,640,000	197,051,200
Proportion of Reserve to Liabilities,.....	48½ per cent.	51½ per cent.	51½ per cent.
Bank rate,.....	3 per cent.	3 per cent.	3 per cent.

It is manifest from above that the position of the Bank at the end of last August, a few days before the rate was raised, was not as strong as it was at same date in 1902, or in 1901; but, apart from some special demand being made, or in prospect, such as gold being called for by some foreign government, or expected to be called for through its London banker, there was not enough in the situation as revealed by above figures, to necessitate an advance in the bank rate.

The policy, however, of the directors, has been to take time by the forelock, to anticipate an extra demand, and prevent its developing to an undesirable extent by raising the rate in advance of an immediate necessity. How varied is the action of the directors is shown by the following table giving the proportion of reserve to liabilities and Bank rate at certain periods:

Date.	Reserve.	Bank rate.
October 1890.....	33 per cent.	5 per cent.
September 1892.....	50½ per cent.	2 per cent.
August 1893.....	45 per cent.	5 per cent.
October 1897.....	48½ per cent.	3 per cent.
" 1898.....	49 per cent.	4 per cent.
September 1899.....	52½ per cent.	3½ per cent.
October 1899.....	41½ per cent.	5 per cent.
August 1900.....	47½ per cent.	4 per cent.
September 1900.....	53½ per cent.	4 per cent.
" 1900.....	43½ per cent.	4 per cent.
August 1901.....	52½ per cent.	3 per cent.
September 1901.....	52½ per cent.	3 per cent.
August 1902.....	51½ per cent.	3 per cent.
September 1902.....	53½ per cent.	3 per cent.
August 1903.....	48½ per cent.	3 per cent.
Septem. 3, 1903.....	.....	4 per cent.

It is noticeable that, in 1890, the rate of 5 per cent. coincided with the Reserve being as low as 33 per cent. in proportion to liabilities, yet the rate remained at 5 per cent. when the Reserve had risen to 45 per cent., an advance of 12 points; whereas, the Bank rate stood at 4 per cent. when the Reserve ranged from 43 1-4 to 53 3-4, a rise of 10 1-2 points, and the rate was kept at 3 per cent. all through fluctuations, ranging from 48 1-4 per cent. to 53 1-8 per cent.

The following gives the amount of coin and bullion held by the Bank each week, from 1st July to 26th August last; also the movement of gold, the Deposits and Reserve, the Bank rate having stood at 3 per cent. all the time:

Date.	Coin and bullion.	Gold rec'd.	Deposits.	Securities.	Reserve.
July 1	186,551,000	160,000	294,863,000	262,487,000	42 per cent.
" 8	183,574,000	*65,000	241,560,000	207,501,000	51½ "
" 15	182,985,000	.....	241,820,000	206,657,000	51½ "
" 22	182,778,000	140,000	242,412,000	206,798,000	52 "
" 29	180,291,000*	500,000	246,287,000	214,751,000	49½ "
Aug. 5	175,123,000	140,000	231,118,000	206,206,000	49½ "
" 12	176,362,100	*65,000	238,677,000	210,610,000	49½ "
" 19	178,688,000	110,000	259,858,000	228,035,000	47½ "
" 26	180,507,000*	540,000	260,333,000	225,395,000	48½ "

\* Gold sent out.

In judging the amount of the Reserve as the main factor controlling the Bank rate, it must be considered that the character and conditions of the deposits have also to be taken into account. A large increase in the amount of deposits may occur from, either a few heavy deposits or a considerable number of smaller ones. In the former case the liability is much greater for a large amount to be withdrawn within a brief period than it is in the latter case. Single deposits in the Bank of England amount to very large sums, and due care must be taken to provide for their withdrawal, the usual course being to have some arrangement of a specific or general nature, in regard to the time such large deposits may be withdrawn. The Bank of England being practically the Bank of Bankers and financiers all over the world, it is always liable to be called upon suddenly for very large amounts, and when the London bankers and brokers begin enlarging their accounts, they