

doubt worthy of consideration and would be quite in harmony with the proposition for affording relief to the banking department in times of stringency. Its object is to regulate the minimum rate of discount at the bank by a fixed standard, instead of by the authority of the Directors of the Bank of England. It is suggested that when the bullion reserve should be 15 millions the rate should be 5 per cent., and that the rate should fall half per cent. for every rise of one million in the total bullion until it reached $3\frac{1}{2}$, below which it should not fall whatever elevation the bullion should attain. The practical effect of this would be that the Bank of England would not compete with the bankers and bill brokers when the rate of interest was less than $3\frac{1}{2}$ per cent. On the other hand the rate should rise half per cent. for every fall of half a million in the bullion below 15 millions until it fell to 13 millions, when the bank rate would be 7 per cent., but if the bullion continued to decrease there should be a rise of 1 per cent. for every half million below 13 millions. There seem to be two objections to the proposed rule, which no doubt is sound in principle. The first is that if there were a fixed rule for establishing the rate of interest, it would be in the power of "rings" of capitalists to combine to raise or depress the rate, and thus to regulate at their pleasure the markets for securities of all kinds, and for every description of merchandize. But secondly, if the foregoing objection could be removed, it seems clear that the standard should not be the bullion reserve in the Bank of Issue, but the cash reserve whether in bullion or notes in the Banking department. If the Directors of the Bank were to adopt as a rule for their own guidance the suggestion of N, it would probably work well in practice. Their reserve has as a rule been inadequate, considering that they have undertaken, to use the language of N., "to discharge a rational function of the most important kind, namely, as custodians and maintainers of the national "bullion reserve or fund."

H.