ENGLAND'S GREAT BANK

REVIEW OF THE FINANCIAL WORKINGS OF THE COUNTRY.

The Bank of England Has Existed over Two Centuries—Has a Complete Monopoly of the Note-Issuing Power—To-day It is Practically the World's Bank of Deposit.

Following is a summary of the banking system of England: The English banking system, whether the best or not, is the most interesting in the world. Under it—as ordered by the act of 1844, which granted the Bank of England a practical monopoly of the note-issuing power, which monopoly will eventually be complete—England has prospered. The system has been strongly criticised. There have always been some who have sought to change it, but such efforts are foredoomed to failure; for, whatever may be its merits or demerits, coincident with its existence London has become the center of the exchanges of the world. This has probably been quite as much due to the nation's freedom from invasion and the existence of a single fixed standard, but that the Bank of England is itself largely responsible for this prosperity will always be the belief of most Englishmen.

The Bank of England had outstanding on November 11, 1896, notes to the amount of £49,732,000, while the Engdish joint stock bank had a circulation of only £829,935. It will be seen, therefore, that the "bank" performs by far the largest share of the note-issuing function.

The stability of the bank is due as much to its age as to anything else and to a conservative which has been the result of that age and the following of precedent during that time. It is over 200 years old, having been organized in 1694. From the very first the bank has been a servant to the government, and it has retained that character to the present time, although the government has had no direct control over its operations. It was organized to relieve William III. from the difficulties which he experienced in raising funds for the prosecution of the war against France. The sum of £1,200,000 was required to be raised by the terms of its charter, and the bank was to have the privilege of issuing notes, keeping the accounts of

THE PUBLIC DEBT

and transacting other banking business, with great freedom from restraint. In return for these privileges the bank agreed to loan its whole capital to the government at 8 per cent. This gave the bank a revenue of £100,000 at the very outset of its career.

This character as servant of the government has been retained by the bank through al lof its subsequent career, although in a somewhat diminished degree. The capital was increased to £2,201,000 within two years after its organization. In 1710 it was again increased to £5,560,000, and on June 29, 1816, it was increased to its present sum of £14,553,000, equal to about $72,000,000. Its career has not always been prosperous. It failed in 1696, and in later years has been subject to runs organized by private bankers, some of whom to this very day are jealous of its power and influence. Its policy has been often assailed and thousands of books and pamphlets have been written against it.

Up to 1826 the Bank of England was the only joint stock bank in England and until 1835 it remained the only joint stock bank in London. At that date the London and Westminster bank was founded, and at the same time other joint stock banks were established in Great Britain. The original charter gave the bank exclusive privilege of issuing notes payable on demand. It has gradually become, not only the bank of the government, but its stability has made it the bankers bank. The bullon reserves of all other banks are kept at the Bank of England, and this in itself makes it the center of the English monetary system. This reserve is seldom allowed to fall below £10,000,000, a fair average being £10,000,000 to £15,000,000. Its daily transactions have sometimes run as high as £6,500,000.

The bank as it now exists was made so by the act of 1844. The issue department of the bank was separated and placed in charge of a committee appointed from the directors by the entire body. The governor was directed to transfer to the issue department securities to the value of £14,000,000, of which the debt due the bank by the government was to be a part. The bank was also to deliver to the issue department such

GOLD COIN AND BULLION

as was not required for the banking department and was to receive in return notes therefore. The price of gold was fixed at £3 17s 9d an ounce, and at that price it has remained throughout the world ever since.

The bank of issue was therefore allowed to issue notes, which are a legal tender against the securities amounting to £14,000,000 of which £11,015,100 due the British government formed a part. Since then the issue department has been allowed to put our notes above this amount only for gold deposited, except that by a provision of the act the bank might hold silver to the extent of one-quarter of its gold holdings (but this it has never done), and that by another provision if any other bank issuing notes at the time when the act was passed should for any reason discontinue its issues, the issue department of the Bank of England might add to the amount of securities held by it to the extent of two-thirds of the note issues of banks retiring from business and put out its own notes against these securities. The amount of securities against which notes are thus issued on January 2, 1895 was £16,800,000. As on the same date the amount of notes issued against gold coin and bullion on hand amounted to £30,849,895, it will be seen that the issue department of the bank, is, to all intents and purposes, simply an establishment which stands ready to exchange cold for notes or notes for gold, and its paper is little more than a gold certificate. For every note issued the bank has gold on hand to pay on demand, within a certain very narrow margin represented by the debt—which in itself is covered by the bank's surplus, to some extent. A Bank of England note therefore means that there is no doubt that the holder can get

ITS FACE VALUE IN GOLD

for it at any time. The bank has never taken advantage of its privilege to issue notes on silver. Its notes are a legal tender and are to be such as long as the bank is able to redeem its notes in gold.

By the act of 1844 the bank note was substantially destroyed as an instrument of credit and it became substantially a gold certificate. The functions which the bank note had in part performed were left to other instruments of credit. Under such a system there is no elasticity of the currency as we know it in this country, and on this account there has been much criticism of it. Bankers say that elasticity of currency simply means the ability to contract or expand the currency in accordance with the business needs of the community. Under the English system gold is practically the only circulating medium, there being very few uncovered notes in circulation, and the amount of money in the kingdom can only be increased by the attraction of gold to the country which is effected by changing the discount rate. It is contended that the locking up of so much gold, while less would be sufficient for the purpose, is conservative to the point of extravagance. At the same time it makes the notes safe to the greatest extent, and to this is due the absolute convertibility of the bank note upon which Englishmen lay such great stress.

There can be no doubt that the experience of over fifty years proves the success of the arrangement, whether any other might have been sufficient being an open question. While elasticity is not given in the sense which American economists use the word, another consideration of little less importance enters into the question. The perfect stability prevents hoarding. The hoarding of money through fear, such as is seen from time to time in America, is what operates to make money scarce during panics, and this freedom from fear is, it is contended, of more importance than automatic devices for the elasticity of the currency.

THE DANGER TO PANIC

is lessened as the motive to hoard is lessened.

While the prevention of hoarding will lessen the danger of a panic, panics must come from time to time. There was a great panic in 1866, which culminated in the famous Black Friday. The failure of the Joint Stock Company was followed in March by the suspension of Barneld's bank in Liverpool. Then, on May 10, the biggest failure in the history of England occurred because of a run on Overend, Gurney & Co., causing their suspension with liabilities of £18,727,915. The failures were due to overspeculation, and the series led to Black Friday, May 11, 1866, a date which will always be remembered in financial history. The Bank of England during the day extended accommodations in loans and discounts for an amount exceeding £4,000,000, and the banking reserve was reduced close to £3,000,000. That evening the chancellor of the exchequer recommended that the bank act be suspended, and this was done by the government. The pressure upon the banks was relieved at once, and the Bank of England found it unnecessary to take advantage of the suspension and issue notes beyond the legal limits. The demands for discount continued large, but were met from the deposits, which came in freely from the other bankers, who were assured that their drafts would be honored by the issue of notes, if necessary.

This simple device has served the purpose and its availability has probably prevented other panics. At all events, under the British system, there has been but one panic in thirty years, which is better than a panic every few months, as results when currency experiments are made which do not provide for stability as of the greatest importance. Ordinarily the banking department of the Bank of England cannot call upon the issue department for assistance any more than could any other institution.

ONLY ON THREE OCCASIONS

have there been runs on the banking department, which occasions were in 1847 and 1857 as well as in 1866. Then the English government has authorized the issue department to issue notes to the banking department without requiring the latter to deposit gold in exchange. Thus the banking department has been furnished with ample funds and all danger of failure prevented, restoring confidence to the whole financial world of which the bank is the center. The stability inspires confidence and the emergency measure is used only in an emergency.

The banking department is almost as interesting in its operations as the issue department. It is practically the world's bank of deposit and also the clearing-house of the world. The Bank of England holds the position in English finance that the New York banks do in that of America. It is the clearing house of the other great London banks, and they, as well as the other English banks, hold reserve in the Bank of England. Only such currency as is necessary to transact their current business is kept on hand by the smaller banks, and they keep their surplus in the Bank of England. In crises the demand for funds always comes upon the "old lady of Threadneedle street."

The chief means used by the Bank of England to protect itself is by raising the rate of discount. This has the effect of making borrowing more difficult. It also has the effect of inducing money to come to London from other parts of the world, or at all events to check its outflow. Its efficiency has been proved over and over again. This fluctuation in the doscount rate is somewhat criticised because of the underlying causes, but changes in the rate seem preferable to a dangerous reduction of the coin reserves. They are, in fact, the modern method of checking such reductions in the reserve.

A UNIFORM RATE.

offers steady conditions to legitimate industry. This is evidently the belief of the directors of the bank, for changes are made as seldom as possible.

It is said that the prosperity of the Bank of England is largely due to the fact that it is out of politics, and is merely an ordinary corporation doing business for the benefit of its shareholders. It is governed by a board of twenty-four directors and a governor and deputy governor, who each serve for one year. All the directors serve in turn as deputy or as governor, and it is usually not until a man has been a director for twenty years that he obtains the position of governor. The board meets with the governor and deputy every Thursday in the "bank parlor" and passes upon the report for the week. There are very few branch banks, and the control is centralized as much as possible.

Although very close to the government the latter has, since the time of Pitt, interfered very little with its management. The bank is purely the government banker and not its cashier, maintaining the same reltaions with the government as with any depositor. The state has no share in the profits and the taxes are only £200,000.

The other banks of issue in England are unimportant in a consideration of circulation. While, with the usual respect of English law for vested rights, the existing private and joint stock banks were permitted by the act of 1844 to continue their existing circulation every effort has been made to retire their notes. When currency is withdrawn by country banks, the Bank of England issues circulation for two-thirds of the amount. In 1844 in effect by the 207 private banks was £5,153,417, and £3,478,230 for the seventy-two joint stock banks. The lapsed issues since 1844 have been £2,902,997 on the part of 143 private banks, and £1,504,028 on the part of thirty-seven joint stock banks, making, according to Conant a total of £4,407,025. Muhleman places the circulation of English joint stock banks in December, 1894, at £892,935.

THE QUEEN AS AN IDOL.

Strange Story From Thibet—Mr. Majoribanks Tells How Her Majesty is Worshipped by the Thibetans.

In addition to being Queen of England and Empress of India, it appears that her Majesty is a goddess.

An Englishman named Stuart Majoribanks has recently returned from a five years' sojourn in Thibet and Bengal, and he is the authority for the following remarkable story.

When he was journeying in Thibet in 1893, Mr. Majoribanks says that he heard through the natives of a white goddess worshipped by a sect whose place of habitation was in the most mountainous section of that rugged country.

With two guides and a native servant Mr. Majoribanks started for the mountains that had been described to him, and, on reaching them, found that he was the first white man known to have made his way to this spot. The treatment accorded him by the members of the sect for whom he had been searching was amazing. He had been told that he was going to

CERTAIN DEATH,

and that no man's hand could save him. To his surprise he was treated as a most welcome visitor. He was received with profound salaams, and with his escort was assigned quarters in a hut for the night. In response to his request for information, he was courteously told that all he wished would be made clear to him in the morning. The villagers kept their word to the letter. After the morning meal the visitor was escorted to the house of the principal official of the town, who is termed the Khan.

Two priests appeared by order of the Khan, and conducted Mr. Majoribanks to a building located at the crown of a high hill. Entering, the traveller found himself in a dimly lighted apartment furnished with all the evidences of a barbaric religion. But the most amazing thing of all was that, seated in a delicately carved chair, was the figure of a woman, wearing a golden crown, apparently attired in European costume, and looking not unlike a specimen from Mme. Tussaud's.

Closer inspection, necessarily of a very respectful nature, disclosed the fact that the figure was intended to be a representation of

QUEEN VICTORIA.

Careful scrutiny showed that the imitation, so far as the clothing was concerned, was very crude indeed, but the likeness of the face to the original was startling in its faithfulness. After leaving the temple Mr. Majoribanks had another interview with the Khan, and from him learned how the Queen of England came to be the goddess of a heathen tribe. It seems that a few years ago the tribe was sorely beset by enemies, and a deputation was sent from the village to Calcutta to appeal to the English Government to interfere and cause the Indian marauders to remain at home. The mission was entirely successful.

When the Thibetans returned from Calcutta one of the men had secured a photograph, of Queen Victoria, and apparently out of gratitude, as good an imitation as it was possible for them to construct of the Great White Queen was fashioned, placed in the temple, and worshiped as the chief of all the tribe's gods.

BALATA RUBBER.

Owing to the increased demand for india-rubber, caused by the use of pneumatic tires for bicycles and other vehicles, there is said to be serious danger of a "rubber famine." The method of gathering india-rubber in tropical countries has been exceedingly wasteful because the easiest way, that of cutting down the trees, has too frequently been adopted. The search for substitutes has resulted in making known the virtues of a South American tree called the balata. This abounds in British Guiana, and the rubber produced from it, while not possessing the electric and some other properties of caoutchouc, is said to answer very well for most of the ordinary purposes of india-rubber.

A Thrifty Empress

A book explaining "How to be Happy, Though a Queen," would undoubtedly find large sales in all European courts except that of the Empress of Germany. She is one of the few feminine crowned heads who might truthfully be described as finding as much solid, homely contentment in her husband's palaces as any honest workman's wife in her vine clad cottage.

This is a good deal more than can be said for her sister majesties who, probably with the exception of Queen Victoria and the jolly little girl who will some day rule Holland, are a weary and unsatisfied class of women, at least their faces bear all the marks of rather peevish discontent and unsatisfied longings. Not so, however, does Empress Augusta Victoria, who was never an heiress in her girlhood, who at eighteen was told to marry a young man deeply in love with another woman and who between a clever, critical mother-in-law and her husband's chief political friend, seemed likely to find life at the Imperial court anything but a bed of roses.

All her early years Princess Augusta spent with her mother and sisters at the modest, not to say frugal court of Dolzig, for her father, the Grand Duke of Schleswig-Holstein, was poor in all but pride and his wife and daughters practiced the most rigid economy. The Princess was taught to cook and sew, to carry the keys, give out the clean linen, to play the piano, a bit on the violin, to speak English and French, and her Lutheran catechism.

Ten to one she never thought about lovers or marriage until the most flattering offer arrived for her hand, from the court of Berlin.

Never having read novels and brought up to implicity respect the sage saying of "children obey your parents," Princess Augusta made no objection when she was ordered to receive the addresses of no less a person than Emperor William's eldest grandson.

Undoubtedly the match was, from a worldly point of view, excellent, but there are bitter words and almost a tragedy behind the flattering offer. When the present Emperor of Germany was at the most susceptible point in his career he fell in love, and it was characteristic of the young man that he fell wildly and desperately, choosing for the object of his adoration the beautiful elder sister of the Czarina, who is now the grand Duchess Serge of Russia.

Of course this was all very fine and romantic, but state policy came before hearts and as there would be nothing to gain by marrying the heir of the German throne to a Princess of Hesse Darmstadt, Bismarck told Emperor William it wouldn't do at all. The old Emperor, of course, broke the news to his grandson, who stormed and sulked, finally promised obedience and when asked to look about and select some other nice young princess broke out with:—

"Choose whom you like; it is absolutely the same to me, so long as it is not one of the English lot."

Of course this was just what the iron chancellor wanted, and to heal the long standing breach between the Holsteiners and the Prussians, he proposed for the Princess Augusta's hand and Prince William went a-wooing. Naturally he did not find in his prospective bride any such rare beauty and accomplishments as his Hessian cousin possessed, but at any rate he did meet and amazingly robust, sensible young lady with the freshest pink and white skin, nice blue eyes, fair hair, and a charmingly amiable temper.

Moreover she endured his cool courtship with a great deal of dignity and was quietly married to him in 1881 at the Schloss chapel of Berlin on a cold February day. After that her trials began in earnest, for intrigue was rife at the German court. Bismarck and the Crown Princess Frederick were sworn enemies, and Prince William took a prominent part in all these doings, but his wife triumphed in the end. She remained the same cheerful, busy, amiable young lady of her girlhood days, healed quarrels by a mild word at the right time and presented her husband in turn with five rosy sturdy boys.

Her whole object in life seemed to be toward the perfect achievement of domestic duties, and since she has changed her title of Princess William for that of Queen of Prussia and Empress of Germany, she has not attempted any vocation more ambitious. There has never been the slightest effort on her part to lead in the social world and in fact were any one probably to ask her why she does not read more or undertake the first place in society she would explain that she had not the time to spare.

In whatever palace she may be stopping, her days are as carefully laid out as those of her husband, and from her own waiting maids to the scullions, she keeps an eye on every servant. Unless confined to her bed by illness the Empress is invariably up by six every morning and eight o'clock finds her pouring the Emperor's coffee. This meal their majesties take quite alone, serving each other and gossiping together like any middle-class couple and at nine sharp, her Royal Highness may be expected to the nurseries. The needs of seven young folk require a keen eye of superintendence and the Empress is passionately fond of spending time and money on her children's clothes.

It is the Kaiserine's one extravagance that she is constantly replenishing their wardrobes, looking over children's fashions sent her from Paris, London, and New York, but ordering every garment made by German needle women. Every stitch of the elaborate layettes provided for her seven babies she and her sisters have laid in and embroidered and by ten o'clock the royal housekeepers are received. Lists of dishes for the luncheon and dinner of the day are handed her and at her husband's preferences, the menus are chosen. After the menus are selected she considers household bills and then writes her own letters.

All this while she is presiding in the nursery the Kaiserin wears a soft white morning gown, a good deal on the wrapper pattern and a vast white apron and the children looked after she investigates her beloved linen closet. No one but herself is allowed to give out even the most modest duster and on shelves, reaching to the ceiling, are stored vast hoards of white bolts, heaps of snowy table cloths, and bed clothes, sufficient to supply many families. By eleven o'clock the Empress dresses for a drive with her husband, or a walk with her children and at one the entire Royal family meet at luncheon.

This is strictly a family feast and after lunch the youngsters have an hour or more with their parents, or at least until three o'clock. Then, in a quiet reception toilet, the Empress is at home in her drawing-rooms to callers. No great formality reigns. Women come to pay their respects, open philanthropic schemes and every one, who seems respectable and anxious to see her Majesty is permitted to enter.

At six dinner is announced and this is the grand meal of the day. The Empress then appears in full state toilet and many jewels. The company is always large and brilliant, a page in splendid costume stands behind every second chair and beside each plate is laid not only the menu printed in German but a programme of the music discoursed throughout the feast. The food is sure to be good and a great deal of Wagner's, Sullivan's, Weber's and Delibe's harmonies rises from the invisible orchestra, composed of no less than twenty-four pieces.

During dinner the Empress is as alert and watchful of the serving, quality of dishes, etc., as any conscientious housekeeper, and, if possible, when dinner is over, she runs up for a moment with the children while they are going to bed. Again, when the evening is over and guests dispersed, she looks in again on her babies, and if one of the youngsters is ill or restless, or there is medicine to be given, she trusts no hands and eyes but her own. So much quiet devotion and simple amiability has, in this gentle German lady, found its just reward for a more devoted husband than the young Kaiser would be hard to find.

When drawing his idea of a perfect woman it is easy for listeners to recognize his wife as his model. When away from home he writes to her daily her strong religious convictions have made of him a devout churchman and though she never asks questions or demonstrates any opinions on political questions, no one knows more of the affairs of the empire than the Empress, who is her husband's closest confidant.

As far as possible she follows his wishes in everything and though it is not according to her desire that the three eldest boys are educated for the army, no word of complaint has come from their mother; she encourages no gossipping feminine acquaintances, for her sisters are her only intimate friends, and as Empress of Germany she spends no more money than when as Princess William, she was on a rather modest income. Her husband selects and buys for her both jewels and gowns and all in the worst possible taste, but it is his delight to see her gaily and richly costumed. Very rarely does he come back from one of the journeys without some gift for the Kaiserin, and when at Vienna he went to select a fine tea gown for his wife, all long tailed costumes were waived aside.

"Oh, those would be of no earthly use to the Kaiserin," he insisted, "she always has four or five boys tumbling around her skirts and they would make short work of gowns like that."

To two good old-fashioned habits the Empress clings with a devotion that would make the very new woman smile. She writes daily in a dairy and a locked one at that. No one, not even the Emperor, could tell the contents of these Russia leather books, that daily have a page filled and at the end of the year are laid away in a locked safe with her jewels and a new volume begun. Beside this she keeps in constant use a vast well worn work basket. Out of it she makes with her own fingers all her Christmas and birthday gifts, occasionally gives a lift with the royal mending and says it is owing to this constant and important occupation she never has time for novels and music.

LIVERPOOL.

An American's Opinion of This Great English City.

Liverpool may be considered a frontier town. It faces a good, big, wide frontier, a very formidable frontier, but, nevertheless, it is a frontier town. Across St. George's Channel there is Ireland, and across the broad and turbulent Atlantic there is America. Though there are now active rivals, Liverpool remains the principal port for embarkation and debarkation to and from Americca, and this is the spot, in all Europe, where the stream of Americans passing to and fro is most constant and most numerous. How many Americans are there whose first impression of Europe is derived from landing at Liverpool. Perhaps, if a cab awaits to take them at once to one of the best hotels, the impression will be favorable. There is no denying the majestic appearance of the Mersey, with its long line, six miles in length, of crowded docks. Then the cab is almost sure to drive past St. George's Hall, and the Lime street site is certainly one of the most remarkable in England. Here at least we have the idea of a great city and great buildings. An open triangular space is dominated on its northern side by the huge Northwestern Hotel, which hides the station that is underneath and behind. Opposite the broad thoroughfare is St. George's Hall, with its Greek colonnades. It is one of the finest public assembly rooms in this country. But what is so remarkable is not merely the space round the hall, the statues and monuments that decorate this spot, the size and dignified appearance of the hall itself, but the row of public buildings that line the western side of the triangle. Every structure here is monumental, and everything is public.