# THIS MONEY BUSINESS

•

# THIS MONEY BUSINESS

A Simple Account of the Institutions and Working of the Banking and Financial World

> *By* BARNARD ELLINGER, C.B.E.

LONDON P. S. KING & SON LTD. ORCHARD HOUSE, WESTMINSTER 1933

.

.

.

.

X62.1.N3 G 3

9633

.

Printed in Great Britain by Sherratt & Hughes, at the St Ann's Press, Manchester

# CONTENTS

CHAPTER		PAGE
I	The Gold Standard	I
II	Bills of Exchange and Accepting Houses	11
III	The Discount Market	20
IV	Issuing Houses	30
V	THE BANKS	38
VI	The Bank of England—Part I	49
VII	The Bank of England—Part II	64
VIII	How The Bank of England Works	69
IX	Working of The Deposit Banks	81
X	GENERAL CONSPECTUS-PART I	92
XI	GENERAL CONSPECTUS-PART II	103
¥ XII	THE FUNDAMENTALS OF A GOLD STANDARD	117
۰XIII	Conclusion	128

#### INDEX

#### A

ACCEPTANCES, 15, 46

Accepting business, amount of, 26 Accepting commission, 25, 47

Accepting houses, 11, 16 Advances by banks, distribu-

tion of, 45 Advances, percentage of bank deposits, 45, 46, 81, 82, 84

Arbitage operations, 132

#### В

BANKERS' INDUSTRIAL DEVELOPment Company, 65 Balance of international payments, 13, 33, 34, 134 Balance of trade, 13, 109, 130 Bankers' balances, 45, 62, 74, 76, 77, 85, 90 Bank of England, 49,69 Bank Charter Act, 1844, 121 Committee of Treasury, 51 Court of Directors, 51, 54 Formation, 52 Internal organisation, 51, 52 Profit on note issue, 7 Proportion of reserve, 61, 125 Provincial branches, 53 Separation of issue and banking departments, 55, 124 Shareholders, 58 Statement, 56 "Bankers' Deposits," 59 "Gold Coin and Bullion," 58 "Government Securities," 57, 60 "Notes Issued," 55 "Other Deposits," 59, 61, 62 "Other Securities," 57, 60, 61

- " Public Deposits," 56
- " Rest," 58

Bank of International Settlement, 67, 119 Bank notes, 2, 6, 40 Issue of, 6, 50, 56 Bank rate, 21, 22, 70, 71, 72, 77, 78, 79, 80, 88 Bank rate ineffective, 73, 74 Banks, number of, 38 Big Five, 39, 40, 86 Bills of exchange, 11, 14 Types of Bills of Exchange Anticipatory bills, 27 Export bills, 27 Internal bills, 26 Bill on London, 14 Sight bills, 14 Treasury bills, 28, 43, 64 Bi-metallism, 129, 130 Bonds, 30, 71 Bradburys, 5

CALL LOAN MARKET, 96 Central banks, 49, 117 Chancellor's Letter, 3, 5 Cheques, 14, 41, 95 Total amount of, 41 Clearing banks, 38 Advances and loans, 44, 82, 86 Capital and reserves, 40 Deposits, 40, 43, 44 Investments, 43 Clearing house London, 38, 39 Provincial, 41 Conversion, 107, 138 Credit, 77, 80, 85, 86, 89 Crisis, financial, 116, 119, 123 Currency and Bank Notes Act, 1928, 6 Clause viii, 7, 8 Currency notes, 1, 5

#### D

DAY TO DAY MONEY, 43 Danat Bank, 116

#### 139

Debentures, 108 Deposit banks, 38, 70, 81 Deposit fixed or time, 42 Deposit on current account, 42 Discount brokers, 20, 43, 73 Discount market, 20, 73 Amsterdam, 25 London, 25 New York, 25 Paris, 25 Discount market connecting link, 80 Discount rate, 75, 89 Diresdener Bank, 116

#### E

EXPORTS AND IMPORTS, VISIBLE AND INVISIBLE, 13 Exchange Equalisation Account, 67, 137 Exchange parities, 13, 129, 132 Exchange stability, 129, 134

#### F

FEDERAL RESERVE BOARD, 49, 120 Fiduciary issue, 2, 6, 7, 58, 95, 122, 123 Foreign balances, 9, 72, 122, 125 Forward exchange operations, 100

#### G

GENERAL LEVEL OF PRICES, 98, 103, 104, 107, 112, 113, 117, 119, 129 Gold bullion standard, 6 Gold currency, 1 Gold embargo, 5 Gold, fine, and standard gold, 5, IO, II Gold standard, 1, 77, 92, 95, 98, 110, 111 Gold Standard Act, 1925, 1, 5, 6, 79, 113 Lapse from (Gold Standard Åmendment Act, 1931), 1, 9, 10, 92, 99, 114 Pre-War, 1 Gold parity, 113, 114 Gold points, 72, 99

INDEX NUMBERS, 103, 117 International trade, 11 Investment companies, 33 Issuing houses, 30, 32 Relationship with Bank of England, 36, 61

#### J

JOINT STOCK BANKS, 38, 81

#### K

KREDIT ANSTALT, 116

#### L

LEGAL TENDER, 2 Loans and overdrafts, 44. 47. 88, 90 Long-term borrowing, 71, 78, 88, 97, 112, 115, 121

#### М

MACMILLAN COMMITTEE, 31, 37, 86, 87, 111, 115, 117, 123, 127 Merchant bankers, 16 Money, functions of, 92 Money markets, 96 Money wages, 129, 132, 133, 136

#### Ν

NATIONAL DEBT, 28, 64 Distribution of, 65 External and internal, 65

#### 0

OPEN MARKET OPERATIONS, 74, 75, 79, 88 Open market rate, 21, 70, 78 Ordinary shares, 31, 32 Overdrafts, 82

#### 140

## INDEX

#### P

PANIC, FINANCIAL, 3, 4, 10, 138 Preference shares, 31, 32 Price deflation and inflation, 107 Price rigidity, 79, 130

#### R

REAL WAGES, 133, 135 Reimbursement credits, 24 Restriction of credit, 110 Rigidity of wages, 110, 129, 135

#### S

SAVINGS, ANNUAL AMOUNT OF, 32 Securities Management Trust, 66 Shares— Ordinary, 31, 32 Preference, 31, 32 Short loan market, 81 Short money, 43 Short-term borrowing, 78 Short-term investment, 121 Spot rate of exchange, 100 Stabilisation, 113, 128 Standard of living, 133 Standstill agreement, 25 Stock Exchange, 84, 90

#### T

TELEGRAPHIC TRANSFERS, 23 Treasury notes, 5, 6, 28 Trust and investment companies, 33

#### U

UNITED STATES BANK FAILURES, 116

#### W

### 141