

GOLD RESERVES AND NOTE CIRCULATION OF PRINCIPAL EUROPEAN BANKS OF ISSUE.

As the result of the war, certain changes have taken place in the reserve position of the principal European banks of issue, owing largely to the vast amounts of notes issued to meet the demands of the Governments of the belligerent countries. The following tabulation, compiled from either original reports of the banks or official reports of the Governments, shows the amounts of gold reserve—i. e., amounts of gold coin and bullion held in vault, and of notes issued by the central banks at the end of the calendar years 1913 to 1916.

It should be noted from the outset that the amounts of gold given as the gold reserves of the central banks by no means represent the total amounts of gold in Europe. These reserves do not include the gold held by the Government treasuries nor, as in the case of the United Kingdom and neutral countries, the considerable amounts of gold held by commercial and other banks, and the gold in actual circulation. There are but few reliable data as to the volume of gold outside the control of the Governments or central banks.

The British Government reports a total of £28,500,000, or \$138,695,250, nominal, of metallic cover, largely gold, against a total of £150,144,177 (\$730,676,637 nominal) of currency notes and certificates issued since August, 1914, and outstanding about the end of 1916, and smaller amounts are undoubtedly held by other European exchequers.

In addition, the Irish and Scotch banks report for the four weeks ending December 30, 1916, an average of £29,689,208 (\$144,481,908 nominal) of gold and silver held against an average of £36,332,285 (\$176,811,055 nominal) of circulation outstanding, compared with £11,380,813 (\$55,384,726 nominal) of metallic reserve against £16,237,861 (\$79,021,551 nominal) of notes in circulation about the end of 1913. These figures are exclusive of the small amounts of reserve and circulation of six private banks and three joint-stock banks in England proper.

The figures of gold reserves shown for the Reichsbank and the Bank of France, it is generally conceded, more nearly approximate the total monetary gold stock of these countries, though it has been stated repeatedly that the large addition to the gold reserve of the Reichsbank is due partly to the transfer to its vaults of some of the gold held at the outbreak of the war by the Austro-Hungarian Bank. The fact is that the latter bank has published no statement since July 23, 1914, when its gold reserve was given as 1,237,879,000 kronen (\$251,289,437 nominal), compared with 1,356,857,000 marks (\$322,931,966 nominal) of gold reserve reported by the Reichsbank for the same date.

In the case of Italy the figures of reserve and of note circulation relate to the Bank of Italy only. To the figures given should be added the gold reserves and note circulation of the Banco di Napoli and the Banco di Sicilia, the other two Italian banks of issue. Through the courtesy of its New York agency, we are able to give the following data for the Bank of Naples:

End of—	Gold reserve.	Bank note circulation.
	<i>Lire.</i>	<i>Lire.</i>
1913.....	213,439,000	417,806
1914.....	242,991,000	518,306
1916.....	212,715,000	797,732

Moreover, the Italian treasury held on November 30, 1916, 168,000,000 lire (32.4 million dollars nominal) of metallic reserve, largely gold, against 1,293,000,000 lire of its own notes in circulation.

In Belgium neither of the two banks of issue, the National Bank of Belgium nor the Société Générale de Belgique, have any substantial vault reserves, the former having removed its reserve to London prior to the occupation of Brussels by the German military forces, and the latter having lost its vault reserve through its forcible removal to Berlin.

An analysis of the reserve figures indicates that the combined gold resources of the central banks of the allied countries were at the end of 1916 practically as large as at the end of 1913, the losses shown for the Russian, French, and Italian central banks being fully balanced by the gains in the metallic reserve (practically all gold) of the Bank of England. This transfer of reserves by the allies to London proceeded on a much larger scale than is indicated by the reserve figures of the central banks of issue, the bulk of the gold "pooled" having been shipped oversea, largely to the United States.

The gold reserve of the Reichsbank shows an increase during the three years of over 115 per cent, though, as stated above, it is not known what portion of the increase is represented by withdrawals from circulation, as the result of voluntary offerings of gold coin and bullion in exchange for notes and what portion by gold formerly owned by the Austro-Hungarian Bank.

Substantial gains, absolute as well as relative, are shown also for the gold reserves of the central banks of the neutral countries in Europe, these gains being especially large in the case of the banks of Netherlands and Spain. The increases in the gold reserves of the three Scandinavian banks are much smaller, as these banks for some time past, as the result of changes in the mint acts of their countries, have refused to receive at the legal rate bullion or foreign gold coin.

While the reported gold reserves of the European central banks show an increase during the three years 1914-1916 of over 18 per cent, their reported outstanding note circulation shows an increase for the same period

of nearly 270 per cent. The rate of increase would be considerably higher if the figures of note circulation of the Austro-Hungarian Bank at the end of 1916 were known. Some idea of the present volume of this circulation may be had from the fact that on June 23, 1914, the total circulation of the Austro-Hungarian Bank outstanding was 2,129,759,000 kronen (\$432,341,000 nominal) and that since the outbreak of the war to June 30, 1916, the bank advanced to the Government a total of 6,424,900,000 kronen (\$1,304,250,000 nominal), most likely in the shape of bank notes. Moreover, as stated above, large additions to the national currency have been made by the British, German, and Italian treasuries through the direct issues of their own notes.

Furthermore, as the result chiefly of the enormous credit operations of the Governments, the deposits of the principal European banks of issue show rates of increase about as large as, if not larger than, those shown above for their note circulation. The following exhibit gives the deposit liabilities (in thousands of dollars) of the four leading European banks at the close of the years 1913-1916:

At end of—	Bank of England.	Bank of Russia.	Bank of France.	German Reichsbank.
1913.....	\$347, 193	\$900, 237	\$188, 886	\$188, 763
1914.....	754, 249	500, 177	549, 762	418, 144
1915.....	786, 069	790, 253	444, 532	561, 445
1916.....	870, 339	1, 216, 852	439, 120	1, 080, 281

The large increases in deposits shown are made up chiefly of new credits to the governments or to commercial banks. The latter treat these credits as reserve or cash, which, in turn, forms the basis of new deposit credits granted to the customers of these banks.

Gold reserves and note circulation of principal European banks of issue at the end of 1913, 1914, 1915, and 1916.

[In millions of dollars.]

(A) GOLD RESERVES.

I. ALLIED COUNTRIES.

	Close of calendar years—			
	1913	1914	1915	1916
United Kingdom ¹	170	338	251	264
Russia.....	781	800	830	758
France.....	679	799	968	653
Italy.....	214	216	208	174
Total.....	1,844	2,153	2,257	1,849

II. CENTRAL EUROPE.

Germany.....	278	498	582	600
Austria-Hungary.....	252	(²)	(²)	(²)

III. NEUTRAL COUNTRIES.

Sweden.....	27	29	33	49
Norway.....	12	10	14	33
Denmark.....	20	25	30	³ 42
Netherlands.....	61	87	173	236
Switzerland.....	33	46	48	67
Spain.....	92	110	167	241
Total.....	245	307	465	668

¹ Including small amount of silver. ³ Figures for Sept. 30, 1916.
² No data.

Gold reserves and note circulation of principal European banks of issue at the end of 1913, 1914, 1915, and 1916—Continued.

(B) NOTE CIRCULATION.

I. ALLIED COUNTRIES.

	Close of calendar years—			
	1913	1914	1915	1916
United Kingdom.....	144	176	172	193
Russia.....	850	1,475	2,732	4,425
France.....	1,103	1,927	2,569	3,219
Italy.....	341	417	587	748
Belgium.....	203	312	372	1,372
Total.....	2,650	4,307	6,432	8,957

II. CENTRAL EUROPE.

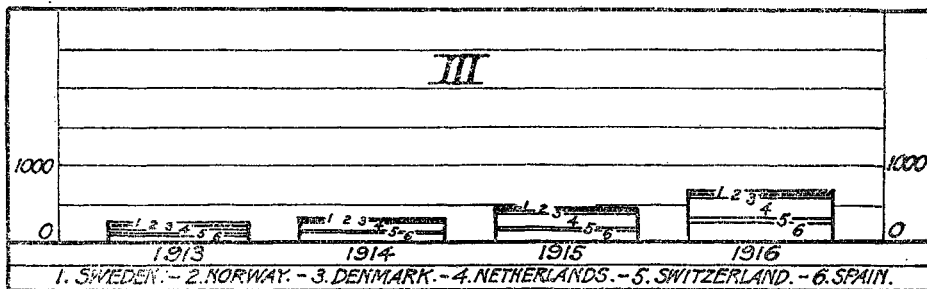
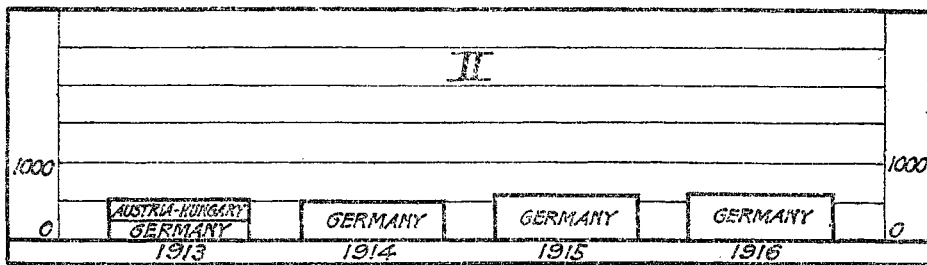
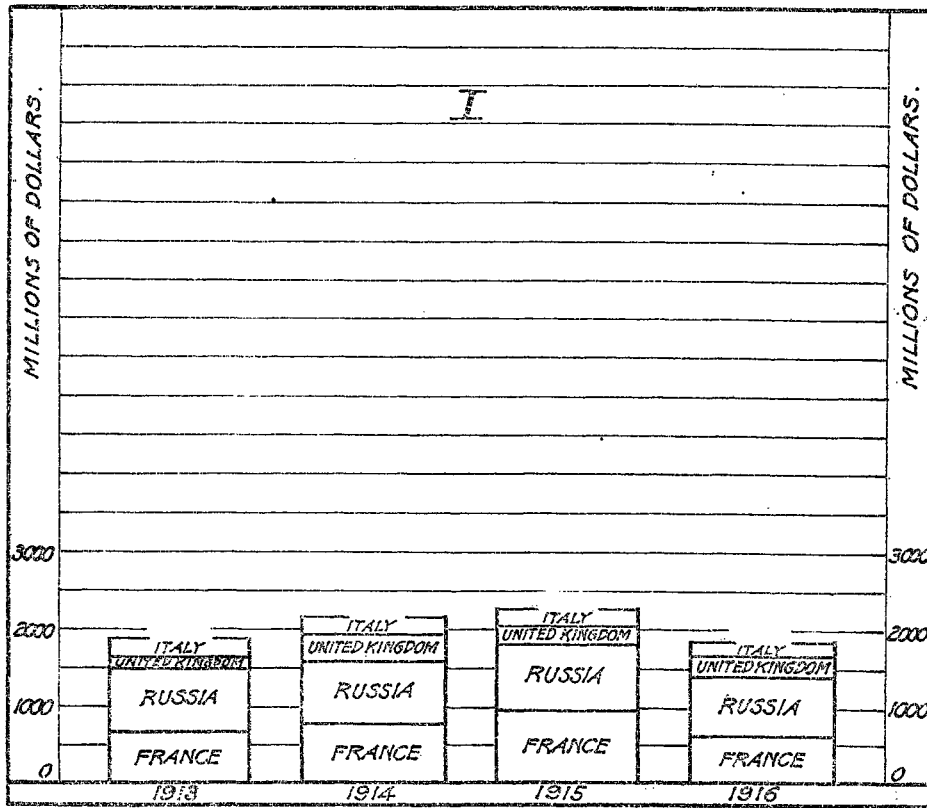
Germany.....	617	1,201	1,646	1,917
Austria-Hungary.....	481	(²)	(²)	(²)

III. NEUTRAL COUNTRIES.

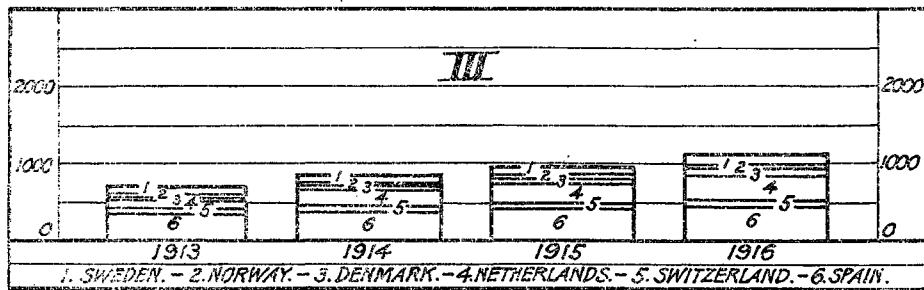
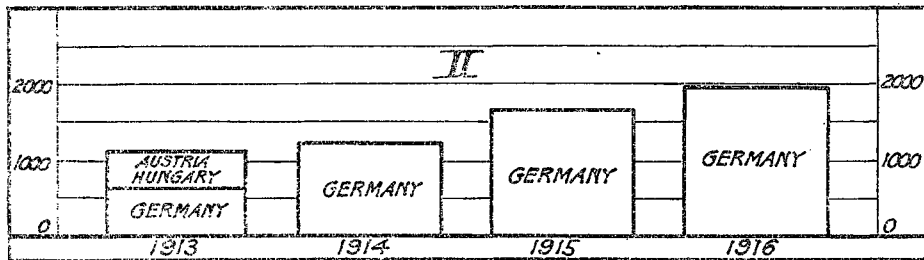
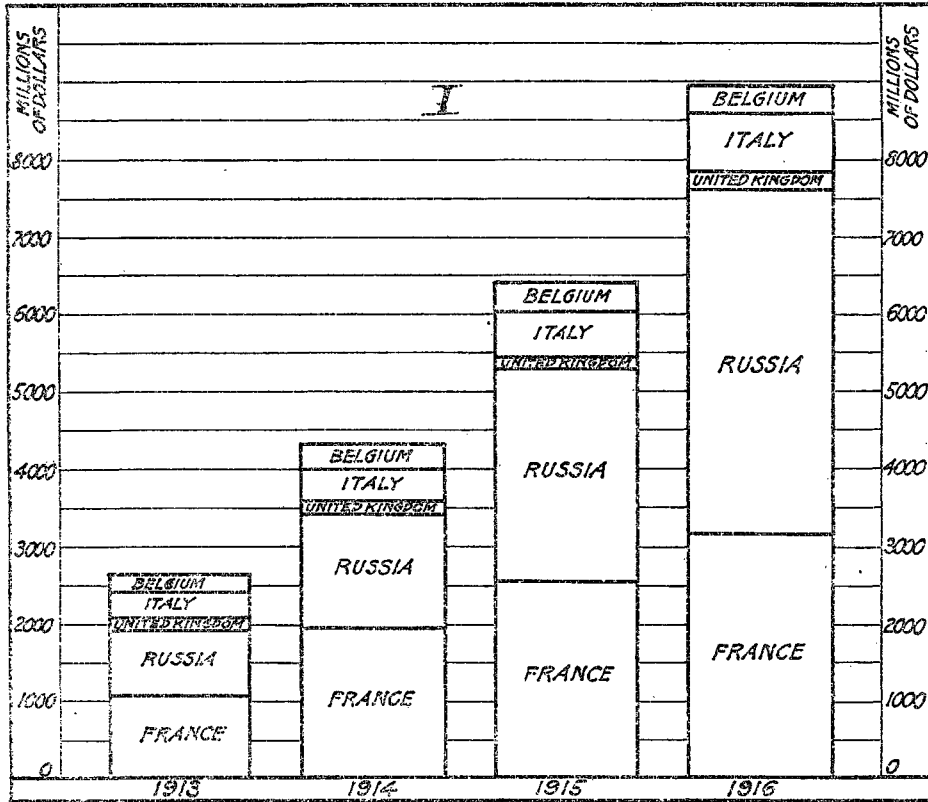
Sweden.....	63	81	88	112
Norway.....	29	36	43	67
Denmark.....	41	55	59	³ 72
Netherlands.....	134	198	232	305
Switzerland.....	61	88	90	104
Spain.....	371	379	405	455
Total.....	699	837	917	1,115

¹ Figures for 1915; no complete data available for 1916.
² No data.
³ Figures for Sept. 30, 1916.

GOLD RESERVES OF PRINCIPAL EUROPEAN BANKS OF ISSUE AT END OF 1913, 1914, 1915, & 1916.
 I: ALLIED COUNTRIES. II: CENTRAL EUROPE. III: NEUTRAL COUNTRIES.



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1. SWEDEN. - 2. NORWAY. - 3. DENMARK. - 4. NETHERLANDS. - 5. SWITZERLAND. - 6. SPAIN.