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## ARTICLE VI.

## THE PROBLEM OF THE CURRENCY.

BY PROFESSOR C. S. WALKER, PH.D.

THE Secretary of the Treasury reports the circulation of representative money, October 1, 1897, as follows:—

Silver dollars.....	\$57,145,770
Subsidiary silver.....	61,176,415
Gold certificates.....	36,898,559
Silver certificates.....	374,620,299
Treasury notes, 1890.....	89,816,063
United States notes.....	251,795,544
Currency certificates.....	52,825,000
National bank notes.....	226,464,135
Total.....	\$1,150,741,785

It is evident that all of this is representative money, kept in circulation at par, because the United States has pledged itself to redeem directly or indirectly every dollar on demand in standard gold coin. As to gold certificates the law is explicit. Subsidiary silver and minor coins may be redeemed in sums of twenty dollars in lawful money. Currency certificates are receipts for so much lawful money and are payable on demand. All United States notes, both of the issue of 1890 and of former years, are payable in coin; and the government has decided that coin obligations are redeemable in gold, if it be demanded. National bank notes are payable in lawful money of the United States by the treasurer. Silver certificates are redeemable in standard silver dollars.

It is true that standard silver dollars are not redeemable nominally in gold, but really they are. They are receive-

ble by the United States for all dues to itself. They are legal tender for all debts both public and private. By the act of 1890, commonly called the Sherman bill, it was declared "to be the established policy of the United States to maintain the two metals, gold and silver, on a parity with each other upon the present legal ratio, or such ratio as may be prescribed by law." If the government should persist in the refusal to redeem silver dollars in gold, it would be guilty of debasing its silver coinage fifty per cent and of thereby cheating innocent holders of these coins out of more than \$200,000,000. Should it do that, it would at one blow destroy the public credit and we should have all the evils, without any of the advantages, of free coinage of silver. The treasury has, in fact, declared that, should the redemption of the silver dollars in gold be demanded, it would not hesitate to grant the demand in obedience to the law requiring gold and silver coin to be kept at a parity.

It follows, therefore, that the whole amount of \$1,150,741,785 is representative money, for the redemption of which in gold ultimately, the United States is both legally and morally bound. The value of the silver ounces it may count among its assets, as it might count the market value of the copper and nickel alloy and of the paper pulp made of cancelled notes, but it must not compel holders of its representative money to take anything else than gold in redemption of its obligations.

To redeem this \$1,150,741,785 of representative money the United States treasury held October 1, 1897, in gold coin and bullion, \$184,561,664. This showing is a great improvement over that of January 13, 1896, when there was only \$56,162,059 of free gold in the treasury. But all admit that our present financial system is not at all satisfactory. All depends upon the willingness and the ability of the treasury to redeem on demand eight different sorts

of currency, to the total amount of \$1,150,741,785, in gold. A maximum reserve of sixteen per cent is not at all adequate.

Business depends upon the currency. The currency depends upon the amount of gold in the treasury. The amount of gold in the treasury depends upon many fortuitous circumstances. A syndicate of a dozen American or foreign bankers could make a run upon the treasury that would drain its gold in a very few days. Should the United States ever become involved in a war with a first or second class power, European countries could easily return government bonds and other securities and so reduce the gold in the treasury as to force the suspension of gold payments, and thus bring all our financial transactions to a silver or paper basis, to our great loss. Success in war under such circumstances would be greatly delayed, if not rendered impossible.

Something must be done: what shall it be?

It is proposed to retire the greenbacks and the notes of 1890. But this of itself would be no remedy. There would still remain some \$809,130,178 to redeem in gold. To contract the currency by the withdrawal of \$341,611,607 notes would precipitate a panic. If the national banks should increase their circulation by that amount, then, unless the whole system of banking were changed, the government would still be obligated to redeem them in gold. The banks would redeem them in silver, and the government must change the silver into gold. If the government issue any representative money, then does it become necessary for it to redeem all sorts of money that may be redeemed in its representative money. Four hundred millions of silver dollars are more than enough to form an endless chain which the banks may use to withdraw gold from the treasury faster than it can there be accumulated. All notes then issued by banks must be paid really by the gov-

ernment on demand. The only alternative would be for the government to repudiate its silver dollars. Thus the banks would get all the profit of the issue, and the government all the expense and risk of redemption. All the arguments which go to show that the government should issue no paper money, prove that the government should not issue representative money stamped on silver instead of paper. Silver representative money is both costly and burdensome.

In seeking a remedy for our present financial straits, we can take a few things for granted:—

1. The nation has decided against a single standard consisting of silver.
2. The nation has decided against bimetallism under existing circumstances.
3. There is no immediate prospect of the adoption of international bimetallism.
4. There remains, therefore, the necessity of adopting for some years to come the single gold standard.
5. It is best that the nation should adapt its financial system at once in the most perfect manner possible to the single gold standard.
6. The use of gold coin as a common medium of exchange in wholesale and retail trade is impossible; its actual use must be confined to settling balances between nations and different parts of the country. The amount of money in circulation is sixteen hundred and seventy-eight millions. Were the United States to attempt to secure eleven hundred millions of gold, it would drain Europe of the precious metal, and raise its price so high as to throw the whole business of the world into confusion. Moreover, the abrasion on eagles and half eagles would soon consume profits. Gold bullion commands a premium over coin for export, since coin, packed ever so carefully and handled with discretion, loses in weight. Gold coin in the pockets

of the people and in the tills of shops would soon wear out. The debasement of English gold coin is one of the threatening evils perplexing the financiers. To remedy it, the proposal has been made to make half sovereigns token coins, and so secure gold enough to recoin sovereigns and restore them to full weight.

7. The people are satisfied with our subsidiary silver and minor coins. The necessity for the use of these is so great that, in ordinary times, they pass from hand to hand and are seldom presented at the treasury for redemption; so that the government has the constant use of some \$80,000,000 of these without interest. So long as there is no great scarcity of other kinds of money, small change circulates; but let specie payment be suspended as to paper money, while the redemption of minor and subsidiary coins is continued in gold, then these coins will disappear in a few days, as was the case during the civil war.

Several things are to be noted in regard to subsidiary money. It is representative money. It is now made of silver, nickel, and copper. Formerly it was made of paper and called fractional currency. Both token coins and fractional paper have been issued by private individuals, by banks, and by other corporations. But experience has shown that such money cannot be safely issued by any such parties, and that the government should alone issue it. It is agreed, then, that the government may be trusted to issue eighty to a hundred millions of this representative money, of little intrinsic value, which passes readily from hand to hand because the people believe that the government will not issue more than the business requires, and will redeem it, dollar for dollar, in gold, or its equivalent, on demand.

8. Experience has shown that the people cannot be compelled to use subsidiary silver in place of paper money to any great extent. After coining hundreds of millions of

silver dollars, containing silver of the present value of about fifty cents each, and having tried every possible method of putting them into circulation, the treasury reports only \$57,145,770 in the hands of the people and in the banks, while three hundred and seventy-four millions are locked up in the vaults of the treasury. If the people must use representative money whose intrinsic value is less than its nominal value, the difference being made up of government promises, implicit or explicit, they much prefer paper to metal for all sums above one dollar. Silver dollars have been used in the South and West, because paper money could not be procured to take their place.

9. If the use of gold as a common medium of exchange is impossible; and if subsidiary silver and minor coins cannot be made to do all the money work of wholesale and retail trade and the exchange of services; and if the people cannot be forced to use a metal dollar, composed of fifty-three cents' worth of silver and forty-seven cents' worth of faith that the government will, though it has not promised to do so, make good the value of its coin, grounding their refusal upon its inconvenient size and weight, then nothing remains but to confess that the people must and will have paper money.

In addition to the gold, there is in circulation over \$1,100,000,000, besides \$134,000,000 in the treasury which might be put into circulation. From these figures it is evident that the business of the country demands more than \$1,000,000,000 of paper money, probably in good times \$1,200,000,000.

Such are the conditions which confront us. Our problem now assumes definite form: Of what shall this \$1,000,000,000 of paper money consist, and by whom shall it be issued?

The American people are not fools. Two hundred years of experience with paper money has taught them some-

thing. They have learned, first of all, that paper money is essential; that it is one of the greatest inventions of modern times. Secondly, they have learned that inconvertible paper money is a delusion and a snare. Thirdly, they have learned that paper money should be convertible, at the option of the holder, without discount or difficulty, into gold. They demand, therefore, that one dollar of the people's money shall be as good as any and every other dollar. They will never be satisfied with a fifty-cent dollar for the South and West, a hundred-cent dollar for the Central States, and a hundred-and-five-cent dollar for the East.

We may then assert, with a good deal of confidence, that the currency should be reformed by substituting for the six different kinds of paper money now in circulation,—gold certificates, silver certificates, currency certificates, greenbacks, treasury notes of 1890, and national bank notes,—one kind of paper money only, that shall circulate among all classes, in all parts of the country, and be everywhere exchangeable on demand for gold. A thousand millions of such dollars would greatly simplify our financial system, and be a sound basis for renewed business activity and a marvelous creation of wealth.

Thus far we may well be agreed, but here the question in dispute arises, Who shall issue this money? Some say, Let the banks issue it; others say, Let the government issue it.

I. Why should not the banks issue it? Among those who insist that the government should let the banks issue all the paper money are two classes,—those who favor state banks, and those who favor national banks.

It is evidently impossible that state banks, instituted by laws drawn up by forty-five different state legislatures, could issue \$1,000,000,000 in paper money, so that one dollar would be as good as another. Those who advocate

state banks urge, as an advantage, that thus could the new states provide themselves with money that would remain within their own borders. They object to national banks, because, no matter how much money the Texas bank may issue, it is transferred to the North and East. The money of state banks would stay near the point of issue, for the sole reason that the farther away it is taken the greater must be the discount. A system of state banks would inevitably produce forty-five different sorts of money,—good, bad, indifferent,—much of it a curse to all touching it. Those who remember “wildcat” banking of the days before the war will never consent to the issue of the paper money of the country by state banks.

But why may not our system of national banks issue the \$1,000,000,000? As now constituted these banks cannot issue all the paper money the country demands: all admit this, for the reason that the total amount of United States bonds outstanding is less than \$850,000,000, not to mention other good reasons. The national banking system then must be changed, if the banks are to issue this paper money. The first fundamental change should be the relief of the government of all responsibility for the redemption of the \$1,000,000,000. As it now is, the credit of the government stands pledged for the payment in gold of every dollar of national bank currency: that is the evil complained of: the government, it is said, must go out of the banking business. This cannot mean that the government is to go out of the banking business by giving all the profits of the issue of paper money to the banks, while it retains the responsibility for the payment in gold of these paper dollars.

The problem then is, that Congress shall pass a national banking act, which shall give these banks the right to issue at least \$1,000,000,000 of paper money, and as much more or less as the business of the country demands; and

at the same time provide that these dollars shall always and everywhere, within the United States, be as good as gold, redeemable in gold on demand; and finally prevent the banks from inflating the currency on the one hand, or unduly contracting it on the other hand.

Now to draw up and pass and execute such a law as this is no easy task, even if all were agreed as to its possibility and expediency. In the present condition of parties it would seem to be hopeless. Some things, however, are certain: (1) The value of this currency, including its redemption in gold, its elasticity, its freedom from inflation and from undue contraction, will depend upon the banks and the bankers who manage them. (2) The banks and the bankers will be governed by the law, or else they will be a law to themselves.

There is great danger that bankers with a thousand millions of dollars in their hands of the people's money, to expand or contract as they see fit, will be a law unto themselves: that with this great money power they would hire lawyers to instruct the judges how to interpret the law, and elect congressmen to pass amendments to the law to suit them. This great danger was seen in Jackson's time, and led to the overthrow of the National Bank. The attitude of the bankers toward the government in Lincoln's day was one factor which led to our present national banking system. The dictatorial power of the bankers of Europe towards the control of peace and war and national policy is notorious. The opposition of the labor unions and farmers' alliances and populist party against national banks to-day is a significant fact. We cannot afford to admit that bankers will be a law to themselves. It remains, therefore, to insist that banks and bankers will be governed by the law; that they will issue money or withdraw it; that they will pay gold or suspend specie payment, as Congress directs.

Therefore (3) it is certain that the \$1,000,000,000 of paper money, issued by national banks, will be just as really dependent for its value and contraction and inflation upon the government as it would be if it were all issued by the United States treasury.

Devise what scheme you will for paper money, issued by national banks, it all rests for its basis upon the action of the United States government. National bank money is found to be, in spite of all appearances, political money; for its creation, its preservation, its amount, its value, depend upon laws of Congress as enacted and amended by dominant parties and enforced by the courts, the opinion of whose judges is sooner or later made to yield to the persuasion of the lawyers receiving the largest fees, or else changed by the removal of one set of judges for another set whose interpretation of the law harmonizes with the policy of the party in power.

If, then, national bank money must in reality be political money, it is a great disadvantage that the responsibility for it should not be fixed definitely where it belongs. If there should be manifest evils, the bankers would say, It is not our fault, but is the fault of the law. If the fault is charged upon the government, it would say, The government has gone out of the banking business: the banks are to blame. Between the two parties, both shirking responsibility, the people's money would soon come to be an instrument of evil.

The financial history of England teaches that the issue of paper money is not a necessary function of banking. By the act of 1844 no London bank, nor any bank chartered after 1844, is permitted to issue paper money; banks organized before 1844 and allowed by their charters to issue money were limited to the amount then in circulation. The bank of England is the chosen agent of the government, really a government bureau, for the issue of paper

money, its issue department being kept entirely separate from its banking department. Bonamy Price says of the bank of England, "Two amendments would render the act complete. The office of issue should be placed in Somerset House or Whitehall: the world would then understand that *the State is the real issuer*. And, secondly, in the weekly reports the bullion which belongs to the issue department should be kept strictly apart from the bullion which belongs to the bank of England."

The history of American banks, especially of our national banks, teaches the same lessons. Our banks have found the issue of paper money that is as good as gold to be unprofitable. It is only when paper money issued is not as good as gold that the banks have found a profit in it: then the bank's profit has been the people's loss. As it now is, it is more profitable for the banks to loan out the money of their depositors, which costs them nothing, than it is to loan their own banknotes, which cost them something. The richest bank in New York city will not issue paper money. No system can be devised by which a bank can issue paper money of its own creation that shall be as good as gold, day after day, and year after year, and at the same time have such money cost them little or nothing. In every case the bank that issues its own bills and at the same time loans its deposits will find its deposits far more profitable than its notes. The inevitable tendency will be to neglect its issues or else to make some one else pay the expense of the issue.

If the banks issue a \$1,000,000,000 of paper money, they should deposit collateral somewhere of the value of the money: of what shall it consist? If it be of greater value than the money, to secure against fluctuations in value, then the profit of the paper money is consumed, as now. If all sorts of stocks are accepted, at a less value than the money, then to that extent the paper money rests upon the

credit of the individual bank, which throughout the country would cause great losses, as in olden time; or else the paper money rests upon the credit of the associated banks. But if any town or city may form a bank that may join this association, then how will it be possible to exclude banks which would pay their five per cent or more into the redemption fund, issue their thousands of paper money, and then fail? If the strong National Bank of Illinois fails under our present system, what might we expect under the proposed system? Associated credit can be made successful only by the most careful espionage which shall exclude the one dishonest or incapable party, whose evil deeds would bring to naught the good deeds of the ninety-nine honest and capable. The clearing-house associations succeed only by using the strictest care in admitting none but the best, and in holding them relentlessly to the laws of the association. Each bank must be above suspicion.

It is a misnomer to call bank bills, which pass from hand to hand and are universally received in all parts of the country, as a matter of course, by both buyers and sellers, notes and to classify them with checks and promissory notes. They are money; no less money because they are made of paper than they would be if made of copper, nickel, silver, or gold. We have already learned that no individual, nor corporation, should be allowed, as in former times, to coin money: we are fast learning that no individual, no corporation, should be allowed to print money. Money is money, whether made of one substance or another. If our government, and no one else, is to be trusted to make and issue \$27,000,000 of token money, called minor coins, and \$75,000,000 of subsidiary silver, and \$441,000,000 of silver dollars out of pieces worth about fifty cents, surely it may be trusted to make \$1,000,000,000 of paper money that shall be as good or even better than gold.

If the government of the United States cannot be trusted to make these paper dollars, who in the nation can be? If the whole people acting constitutionally and deliberately cannot do it, it must be a difficult thing to prove that a small fraction of the people, moved largely by self-interest, can accomplish it.

II. There are those who believe that the United States should not only coin money, but should also supply the people with all the paper money needed. They are at once confronted with the objection, that all such money is political money, and therefore necessarily not good. The answer is, that all paper money is either the creature of the law, or else it is not. If it is not, it is an unmitigated nuisance. If it is the creature of the law, then it is political money. Though paper money be issued by the banks, it is none the less subject to political exigencies.

This objection set aside, the real question at issue is simply this, Is it not only possible, but also certain, that the United States government can supply the people with paper money as good as gold? If this money be as good as gold, if it be convertible on demand anywhere in the country into gold without discount or delay, then will there be no danger of inflation, no trouble as to foreign exchange. If it be as good as gold, then is it better than gold; for there is no abrasion, there is no real loss if it be destroyed, there is a great saving in counting, in carrying it, in storing it. If in order to make a thousand millions of paper money as good as gold, it should be necessary to keep dollar for dollar of gold in the vaults of the treasury and make every piece of paper money a gold certificate, even that would be an immense gain to the nation and to each individual.

But this would not be necessary.

1. The first essential for success in making government notes as good as gold is that the issue department of the

treasury be entirely distinct from every other department. The revenues and expenditures of the government should be separated altogether from the department making and issuing paper money, just as distinct as the mint is from the internal revenue department.

2. The second essential is that the government keep on hand gold enough, for the sole purpose of paying on demand its paper money, whatever amount experience shall prove necessary:  $33\frac{1}{3}$  per cent would doubtless be amply sufficient. From 1879 to 1890, \$100,000,000 in gold was enough to redeem \$400,000,000 of greenbacks. It was only after there were added \$500,000,000 of silver certificates, and the notes of 1890 to the greenbacks for the \$100,000,000 of gold to sustain, and after the government was forced to draw upon the \$100,000,000 of gold to pay its large deficits in current expenses, at a time too when international complications made an excessive foreign demand for gold, that the reserve fund of gold proved too small for the increased burdens put upon it.

3. The third essential is that the issue department as a rule (the exception will be stated later) should not pay out a paper dollar except in exchange for gold. If the system were to start from the beginning, of course there would be a surplus of \$666,666,666 to invest in the public debt, or in some other security; but, as it is, we have already in circulation besides that in the treasury more than \$1,000,000,000 in paper money, for which the government is responsible.

4. The fourth essential is that the government shall have the sole power to issue paper money as it has to coin money.

5. The fifth essential is that this money shall be legal tender the same as gold for all debts, public and private.

Besides these five essentials, the plan provides that, if more than a \$1,000,000,000 is demanded for the transac-

tions of the business world, the amount may be secured by issuing paper money in exchange for gold dollar for dollar. If in the course of time this demand should prove to be permanent, the excess above \$1,000,000,000 could be provided by the issue department investing paper money in government bonds to such an amount as the surplus of gold over the  $33\frac{1}{3}$  per cent of issue would allow.

How this system, when adopted, would work can be readily seen. As the six different sorts of money are received by the government, they will be cancelled and in their place the new bills, payable on demand in gold, issued. This policy would soon simplify our system of paper money and make counterfeiting still more difficult.

This money would act to all intents and purposes the same as specie. It would automatically check inflation. If there were too much money in circulation, paper would be changed to gold, and the gold exported until the equilibrium should be reached. If there were not enough paper money, by presenting gold for it at the treasury, it could be secured to any amount.

It may be asked, Would it not be difficult for the treasury to procure and keep three hundred and thirty-three and one-third millions of gold in its vaults as the basis of this paper money? October 1, 1897, the treasury had in gold coin and bullion \$184,561,664, and since has refused large quantities of gold offered to it. It would be necessary to procure only \$148,771,669 additional gold. There was at the same date reported by the treasury in circulation \$528,098,753 in gold. The comptroller of the currency reported, July 14, 1896, that the national banks held \$161,853,560 in gold; the amount to-day is probably still greater. By calling in the national bank notes, therefore, the government by that means alone could secure the needed gold. To withdraw its circulation a national bank must deposit with the treasury lawful money to the amount

of its outstanding circulation. To do this the banks would, many of them, be obliged to deposit more or less of their gold. To withdraw from circulation two hundred and twenty-six millions of banknotes, by decreasing the supply, would increase the demand for paper; so as to make it more desirable than gold. Men would be anxious to exchange their gold for paper. The treasury has in its vaults \$148,771,669 of notes which could be put into circulation to fill the vacancy left by the banknotes. A temporary contraction of the currency might ensue which would probably be a good rather than an evil. But as soon as the legitimate demands of business called for more money, it could be furnished in the way indicated. With the new gold-mines and the new processes of working old mines, the world's stock of gold is rapidly increasing. This fact, taken with the fact of our rapidly developing resources, proves that the United States can procure all the gold it requires. If all other means should fail, bonds could be sold, and speedily bring the gold.

But once procured, could the treasury keep the gold? Undoubtedly. If there should be a run on the treasury and a \$100,000,000 of gold withdrawn, then there would be \$100,000,000 of paper money locked up in the treasury. The gold withdrawn would be exported or hoarded. Hence the currency would be contracted, discounts would be raised, prices would fall; so that people would import gold from abroad or else by the increased price get it from hoards. Once in their possession, they would exchange it at the treasury for paper money worth more to them for daily use than gold. So the drain on the treasury would be stopped.

Certain objections may be raised against the proposed plan.

1. First, that it would leave four hundred millions of silver in the hands of the government: what shall be done

with this? Only three things are possible: to force it into circulation, to sell it to the highest bidder, to hoard it as a stock from which to renew the subsidiary coinage, or to keep it for a possible rise in price. To put this amount of silver on the market would depress the price, and bring to the government a small sum, probably not more than thirty cents on the dollar. It would unsettle the finances of Europe. Possibly it might so raise the price of gold, and depress the price of silver, as to compel international bimetallism. To sell the silver would be a step in the dark that would risk altogether too much. To attempt to force a fifty-cent dollar into circulation would be as unjust as foolish. If redeemable in gold on demand, it could not be forced into circulation. If it were not exchangeable for gold, then it would be a debased coinage; it would depreciate at once and the innocent holders would be robbed. The only wise thing to do is to keep it on hand among the assets of the government. Some of it might be used as alloy in gold coins. It would be well to coin silver dollars as subsidiary silver, legal tender only for five dollars, and redeemable in gold at option of the holder. In this way from fifty to a hundred millions would be demanded by people who prefer a silver dollar to a one-dollar bill. The loss in the depreciation of silver has already been incurred. As the invention of a steel navy made wooden war vessels of little use, so the substitution of gold coinage for bimetallism necessitated a loss on silver coins. We may as well charge the depreciation to profit and loss, and hope that in the end our progress will more than compensate for the loss.

2. It may be objected that the proposed system will not provide a currency of sufficient elasticity. The answer is, that it will furnish all the elasticity that a currency as good as gold can possess. Stability of value and elasticity are not convertible terms, when applied to money, whatever may be their applicability to credit. We need to have

here precise distinctions between money and credit. There are two kinds of money under our present system,—standard gold coin and representative money. The latter is of two kinds,—coins and paper money. How much elasticity does a twenty-dollar gold-piece possess? It is true that one hundred of them will buy to-day as much of many of the necessaries of life as one hundred and forty would twenty years ago: its value compared with these commodities has increased. But this fact is not an exemplification of the elasticity of our gold currency. It is true that, because of our pneumatic tubes in great stores, and our electric cars, express trains, swift ships, telegraphs and telephones, the gold eagle can do many times the business in a month this year than it did in 1850. But this fact is not what we refer to when we speak of elasticity of the currency. What then do we mean? We mean this: The demand for gold eagles in 1879 increased greatly: people worked gold-mines, and sent bullion to the mint: the number of gold coins increased rapidly. Gold currency expanded. When the Bland bill and the Sherman bill were enacted, the demand for gold coin was checked; hence work in gold-mines was suspended, and gold coins were made into jewelry and gold leaf for dentists; much was exported. So the gold currency was contracted as silver and paper currency was expanded.

These facts show the relation of stability of value in currency to its elasticity. Demand for currency increases its value. Increased value increases its supply by drafts on hoarded stock first, then by the melting of old plate and by increased production of gold-mines. When supply exceeds the demand, then export follows, the arts consume more gold, mining is depressed. The demand for money at certain times of the year is greater than at others. To move the cotton and cereal crops demands immense sums, increases the money work to be done in a short time. How

shall this increased demand be met: by increasing the number of pieces of money, or by increasing their rapidity of circulation? To move the crops requires a greatly increased number of freight cars. How is the demand met? Do the factories turn out new cars and then, when the rush is over, destroy them? By no means. They make the cars they have travel faster, and they collect all those that have been at way stations and in repair shops and set them to work. So it is impossible to double the number of gold dollars at the harvest, and then, when the harvest is past, destroy or transform them. Exactly so with the \$1,000,000,000 of paper money. It is not necessary to make it \$2,000,000,000 at harvest time, and then burn a \$1,000,000,000 in midwinter. It is not harvest everywhere at once. The same dollars that move corn and wheat in summer and autumn may be used to move oranges and ice in winter and spring. The remedy is not to be found in that elasticity of the currency which is to be provided by making pieces of money more or less in number, but in keeping each dollar constantly at work. A paper dollar as good as gold circulates not only as fast as gold, but much faster. A currency of this sort will possess just the elasticity needed. If after the crops are moved, there should be an excess of money, paper can be turned into gold and sent to Australia or India to move the crops there. If there should not be enough money to do the money work, gold could be imported or mined and made the basis of increased currency. Thus we should have money enough, and none too much, to meet the demands of legitimate business. The best money is by far the most efficient, and promotes those ends which men seek when they demand an elastic currency.

Moreover with a \$1,000,000,000 paper dollars, more or less, as good as gold, or better, as the basis, a system of sound banking may be established and operated which

would curtail or extend loans in proportion to the exigencies of business and the conditions of private, corporate, and public credit. Nine-tenths of the wholesale business of the country is done by means of checks, drafts, book accounts, promissory notes, and other credit instruments. To conduct this credit business, by means of deposit, loans and discounts, is a field ample enough and profitable enough for any bank and all banks of the United States, without their having anything to do with the issue of paper money or the expansion or contraction of the currency.

By means of a safe system of banking, that shall discover the men in a community who are worthy of credit, and shall bring these into coöperation, a cash basis of \$100,000 will enable them to do a business of many times that amount. Money is not the same thing as wealth, nor the same thing as capital. It bears the relation to wealth and to capital that the lubricating oil bears to the locomotive engine. Comparatively little is needed, but that little is essential; without it the wheels of progress would cease to move. It is so essential that its quality should be of the very best, and its quantity no more than enough to keep things moving. Too much is almost as bad as too little.