

tors of credit, the receivers and payers of money. I need not recall the modest beginnings of a system which has developed into a science and assumed preponderance over trade and commerce. Sufficient it is to say that banking has evolved into that powerful economic organization which is the lever of the wealth and prosperity of nations. Hence, banks are nothing else than a huge and marvellous combination of money and credit. In their widely extended operations of bank notes, promissory notes, bills of exchange and cheques they have curtailed the employment of specie to such an extent that were we compelled to revert to the old system of specie transactions the commerce of the world would come to a stand still. Banking is well defined when we say it is the largest existing medium of exchange, the agency of money and credit, and, therefore, the agent of nations and individuals.

PAPER MONEY AS A MEDIUM OF EXCHANGE.

Paper money, although one of the forms of credit, should be considered as one of the media of exchange. It has assumed such enormous proportions that it forms no mean ratio of the entire currency of the world. The estimate of which is 4,086 billion dollars in gold, 4,071 billions in silver, and 2,564 billions in paper. And hence this is now called the "paper age."

The theory "that a nation is rich by what it owes" is probably based on the other theory that credit represents a debt and that debt is wealth. So as paper money represents a debt and is only worth what it will realise in ready money, it is therefore imperative that it should be constructed in the most sound and solid basis.

Occasions of paper money depreciation occur only under such exceptional circumstances as a general upheaval in the political government of a country, revolution, war and defective currency laws. During the French revolution the "Assignat" which was one of the measures of the Constituent Assembly

—was designed to appropriate, to national purposes, the landed property of the clergy. Money had become scarce and coins were hoarded. So assignats (which means assignable and transferable) were made a legal tender based on the specific security of the usurped lands. This was a forced issue of money convertible in the national lands. The first issue was 400 millions francs, with interest; the second issue was made without interest and amounted to 800 millions. The government of that day evidently found in this an easy means of procuring money and continuing its issues did not stop until the total amounted to 36 billions. In order to counteract the decline in value which soon followed the over issues, legislators enacted a penal law against exchanges of coin and paper unless at par. A maximum price on commodity and other iniquitous laws were imposed. But these had no effect and when France commenced to redeem this currency it was not worth the 200th part of its nominal value.

The American republic underwent a similar experience. During the rebellion specie payments were suspended and were not resumed until 14 years after the war was over. Gold had disappeared from circulation and the famous greenback rag baby was issued to cover the national debt which the war was rapidly increasing. Commencing at a premium of two per cent in 1862 the price of gold had risen to 285 in 1864.

THE MERITS OF THE STANDARDS.

The theory of economists is that there is no such thing as absolute value and, that gold, though a measure of value, is nevertheless subject to certain fluctuations which determine corresponding variations in the price of commodities.

A concordant theory is, that, to be an invariable standard, gold must always be produced by the same amount and cost of labor and in such graduated quantities as shall constantly bear the same proportion to the demand for it; that if gold maintains the same value,