as to abolish interest by destroying the demand for money. It is, however, no fallacy, but a fundamental principle of financial economy, that abundance of money available for loans lowers the rate of interest, the lowering being proportionate to the relation between the supply and the demand. The case of Spain is cited as a proof that this is not the case, for, it is said, when that country was enormously rich in gold mines in the 17th century, the rate of interest in that country was from 10 to 12 per cent. That is so, but the riches of Spain were not freely available for loans; there was no bank in that country, nor any money market; the gold was owned by the Crown, by whom it was hoarded. So that, rich as was Spain in one sense, it was really a very poor country in the 17th century so far as the capital at the service of its commerce, that is, at the command of borrowers, was concerned, as there was no machinery for placing its vast stores of silver and gold in the channels of trade. Spain is poor to-day because its rulers wasted their substance, their vast treasures, in riotous living. The high rate of interest in Spain in the 17th century is, therefore, no proof that "it is a fallacy that abundance of money lowers the rate of interest," for no abundance existed in that country available as a supply to borrowers, but, such great scarcity as to cause the rate of interest on loans to be at from 10 to 12 per cent. This, however, was urged by Dr. Lewis, when recently addressing the Actuarial Society of North America, as a proof that interest rates may be high when money is in abundance. He also adduced the cases of England and Holland where, in the same century, money was less plentiful than in Spain, while the rates for loans ranged from 3 to 6 per cent. These rates were lower than those of Spain, although England and Holland did not then own as much gold and silver, because what money existed in those two countries was, to a very large extent, in the market, whereas in Spain it was not available for loans. In the 17th century the Bank of Amsterdam was the strongest financial institution in the world. It had stood the shock of panics, wars, revolutions, without its solvency being shaken. When Europe was a battle-field the Bank of Amsterdam stood tranquil and secure, "receiving deposits and making loans," but there was no bank in Spain. In England, in the 17th century, there was no Bank of England, but there were bankers whose business dated from the reign of Charles II, and whose business developed the large private banks of London. To compare then the monetary conditions of Spain in the 17th century with those of Holland and England is absurd, for Spain's gold treasures were not available for loans, while the smaller treasures of England and of Holland were in the market in sufficient abundance to be at the service of borrowers at from 3 to 6 per cent. When, however, we affirm that abundance of money lowers the rate, and that plentiful money makes the hire of capital cheap, which is strenuously denied by the writer we have named, we must explain what is meant by abundance and plentifulness of money. Money is like water, its abundance, practically speaking, depends upon its availability. Men may die of thirst in sight of a great lake for lack of some means for the distribution of the water. So money may be very scarce, and therefore dear, for lack of the requisite machinery for placing it at the service of borrowers, or from the machinery existing having got into such defective order as to check the ordinary supply. However extensive the stores of money may be it cannot intelligently be called "abundant" if there is not enough to meet the ordinary or the special demand for it. "Abundance" is not an absolute but a relative term. He who gave a feast to 100 invited guests, but only provided food for 50, would be dubbed a mocker if he claimed that his supplies were in abundance. So with money, there can be no plentifulness if there is not enough to supply the demand without stinting the individual supplies, or, as we say, putting the applicants on "short rations," which is done by raising the price, that is, the rate of interest. Neither can money be said to be abundant, however large its volume, if there are some influences at work keeping back the free flow of supplies; some hitch in the financial machinery. War is one of those influences, as it creates anxiety about the future, which disturbs confidence, the effect of which is to check the inflow of money into the reservoirs from whence the stream of loaned money are drawn. War also is a great waster of capital, its expenditures are for purposes which, in a monetary sense, are unprofitable. The money market of a nation at war is not as favoured a place for investments as when peace prevails. Capital is very timid; it is frightened by the roar of cannon; it is very apt to lock itself up while the disturbance lasts; and before venturing abroad requires to be tempted by high rates as some compensation for risks, actual or imaginery. However vast then may be the hoards of capital, it cannot properly be called "abundant" unless it is abundant for the needs of borrowers. When this condition prevails money rates rule low, whereas when the outflow of capital is restrained by war, or any cause which disturbs confidence, money becomes higher in price, as the normal, the equable relation, between supply and demand has given place to one of the supply being unusually below the demand. Whenever then money is ruling high, by which is meant that borrowers are willing or rather compelled to pay more interest for a loan, such increased rates are a demonstration that money is more valuable than usual, as a loaning commodity, because it is less abundant than usual. Money, in a word, follows and illustrates the fundamental law that underlies all sound theories of economy, which is that values are regulated by the relation existing between supply and demand. What is scarce, either from a deficient stock on hand, or its outflow being obstructed, is dear; what is plentiful is proportionately cheap. This root principle, when properly understood, accounts for all fluctuations in the rate of interest, for the law of supply and demand fixes the value of every commodity offered for sale or for loans.