

dustry, is our present object. To accomplish this we take the whole system of mixed currency as exhibited in practical operation. Whatever theory may teach us, it is with actual facts we have to do in the examination of a question like that before us.

1. The first thing we notice, as characteristic of this kind of currency is that it is, from its very nature, *unsteady* and *fluctuating* both in *quantity* and *quality*. And first, as to quantity, being an elastic currency, dependent on the will of man and not on the laws of nature, like a value money currency, it is continually expanding and contracting. Not having full, absolute value in itself, it can perform well only one of the two important functions of money—viz., that of a medium of exchange. As a standard of value it is never correct, because it is always wanting, to a greater or less extent, in the element of value. It is this fact that makes it a local currency, and renders it powerless in general or international commerce. In consequence of this peculiarity, too, the moment there is any considerable demand for specie for shipment, its imperfection is made apparent. For export it is worthless. Although *money* at home, it is *moonshine* abroad. This being the case, if there happens to be an unfavorable balance of trade, and of course a demand for money to be sent out of the country, then the specie must be taken from the banks for that purpose; and, as it is based upon the specie in the banks, the paper money must be withdrawn from circulation in the same proportion that it (the paper money) bears to the specie in the banks.

For example, on the 1st of July, 1856, there was in the United States a paper circulation of 196 million dollars, having 59 millions of specie as its basis. Suppose, at that time, 30 millions had been required (as in 1837) for shipment, how would it have affected the mixed currency? Evidently, as there were more than three-and-a-third dollars of paper in circulation to one of specie, the banks must withdraw paper circulation to three-and-a-third times the amount of specie shipped. If they should not do this—if they should let their specie go without contracting their circulation, except to the exact amount of specie withdrawn—how would they stand?

Circulation.....	196 millions.
Specie withdrawn, for which the banks took the same amount of their own notes	30 “
Balance in circulation	166 “

For the redemption of which there would remain only 29 millions in the possession of the banks, leaving the proportion of paper to specie almost six to one—a risk imminently hazardous; for if there were danger of a further demand, or a suspicion in the public mind as to the ability of the banks to pay all their notes in specie, and in consequence a run should be made upon them for the redemption of their bills, a general suspension, like that of 1837, would be inevitable. This the banks well understand, and hence would, in the case supposed, at once contract their circulation at least \$100,000,000, (in 30,000,000 by $3\frac{1}{2}$.) and the currency would stand—

Notes in circulation.....	\$96,000,000
Specie in bank.....	\$29,000,000

Leaving the *proportion* essentially as before, and the circulation would be reduced more than 50 per cent. Contrast this with a value money currency