speakers, and merchants and bankers, continually confound the two terms. They speak of the "money market" when they mean the "loan market." They talk of "cheap" and "dear money" instead of cheap and dear capital, and so the uneducated public come to demand "more money," when there is already an excess locked up in the vaults of the banks, which the people refuse to buy.

39. As the British monetary system has many admirers, I wish to point out some very serious defects in its workings, to which are due the extreme sensitiveness of British financial business. This sensitiveness arises from the policy of the Bank of England, in using its large capital and influence to control the trade in bullion and rule the rate of discount. Instead of quietly *following* or keeping *in* the market, it directs its efforts to operate against the natural law of supply and demand. It will readily be seen that, if its trading reserve consisted of coin or legal-tender notes issued by the state, convertible into gold on demand, and the bank ceased to be a dealer in bullion, except to make loans on it, as on other commodities, this sensitiveness which it imparts to all industries would cease, because the managers would no longer have a motive to act on the price of capital. They would have no more interest in the fluctuations of the bullion market than in those of the corn, cotton, or cheese markets, or other commodities on which they make advances. It is no uncommon thing to see the Bank of England rate from a half to two per cent. above the market rate. The effect on the general industries is very injurious. So far as the bank can affect or counteract the law of supply and demand by its mere fiat, it is the same as a tax set on labor and its products, which tax is raised or lowered by the arbitrary will of a despot, and it is claimed by high authorities that the bank exercises this power in order to profit by its effects. Whenever there is a considerable rise in the bank rate, securities in which the bank is a large dealer fall, and the managers become heavy purchasers. The rate is then run down extremely low and up go prices, and the bank "unloads." I hope your committee will not think I am confounding the practices of Wall and Broad Streets of a few years ago with those of Threadneedle Street of to-day, when I am only relating what Oxford economists and others of high repute in financial and economic circles have publicly stated.

40. My communication has grown so long that I fear I am overrunning the space your committee will have to give to such papers. I must, however, direct your attention to the serious evils arising from "protecting" some branches of industry at the expense of others, aside from the bonus offered for attracting an undue amount of capital to the business of banking, where the practice is most sensibly and injuriously felt. If protection has any effect at all, it must be to attract capital and labor away from *unprotected* to *protected* industries. So far, then, as this result is accomplished, the unprotected industries are depleted of their main elements of success and are allowed to languish. When the inevitable day of over-production arrives in these protected branches, there is a destruction of the capital which protection has drawn from its natural channels, and the laborer is sent abroad as "a tramp," or to seek other kinds of occupation. Thus the efforts of Congress to override the natural laws of industry lead directly to crises and the general derangement of the social and industrial systems. To be consistent, Congress should either protect every industry equally or leave them all alike free, to be regulated by the natural laws.

41. But it may be argued that "free-trade" England has its panics and its crises, as well as "protected" America. Quite true she has, and for the same reasons. America, her natural customer, whose breadstuffs and cotton she requires, refuses to exchange with her a large part of the products of her labor and capital. England has also, as I have shown, an artificially and badly regulated monetary and financial system, of which the Bank of England is the center or focus, a bank that persists in treating its own share of the note issue, founded on securities instead of cash, as good cash reserve, and has a traditional board of managers, who, because they can take these notes to the issue department and buy gold with them, fail to perceive the difference between cash and credit. This is the natural consequence of banks investing all their paid-up capital in national securities, and relying on borrowed capital for a trading margin. I wish your committee to make a note of this important fact, for it cuts the ground from under two thousand national banks, as well as of the Bank of England. If the plan is good in banking, why not extend it to all industries—the manufacturers of engines, cars, and rails, for instance?

42. I have omitted to meet a plausible, but most unfounded pretext, set up by some bank doctrinaires, in favor of banks of issue, until now. It is that a paper currency, issued by the state, "is not a proper commercial currency," because, forsooth, "it does not grow out of industry and production." See Mr. Spaulding's Centennial Address, page 57. The Times, of this city, lately asserted, that, as paper money naturally grows out of commercial transactions, only banks can keep the supply exactly equal to the demand. The utter absurdity of such assertion—reasoning it cannot be called—appears from the self-evident proposition that paper money, convertible into metal, which is the only sound paper currency, rests on the metal, and, as those who use it