

therefore, was sought by which these difficulties could be avoided, and the result was that paper-money has been adopted by nearly all civilized nations. In many respects paper-money is superior to coin. It is open to none of the objections brought forward against the use of gold and silver. It indeed wears out sooner, but it can be replaced at a trifling cost ; to produce it, it is not required that a large portion of the race be withdrawn from the productive industry as is the case for gold and silver ; its use draws from the arts no substance of intrinsic value, while it circulates more rapidly than gold or silver, because it represents greater values in smaller bulk and is much more easily transferred. Paper-money, then, being a labor-saving device of immense efficiency, its use will increase more and more in spite of its frequent and glaring abuses, which, though great, are easily out-weighed by its many advantages. As a writer on political economy has beautifully said : " If barter be compared to the rude mode of transportation on human backs, and coin to transportation in carriages drawn by horses, paper-money is the steam-carriage whose use calls for larger precautions against danger, but whose superior utility far outweighs that consideration." Yet, while paper-money is natural to an industrial people, and is more a benefit than otherwise, it should be borne in mind that an exclusively paper currency is of questionable value. Governments and banks should guard against issuing more paper-money than they are capable of redeeming. A case of this nature was experienced in the United States during the civil war, and many were ruined thereby. The best plan it seems is to have a medium currency consisting partly of coin and partly of paper currency. This seems to have been pretty well understood, and though the science of money is as yet imperfectly known, we cannot deny that at the present day money has attained a high state of relative perfection.

The earliest form of paper-money was the " Bill of Exchange." We read that this or its equivalent existed in the time of Cicero, who wrote to his brother Atticus and directed him to obtain a sum of money at Athens. But it seems to have gone out of use for a time till, in the Middle Ages, it was " re-invented by the Caursins, a class of money-changers employed by

the Papal See in the collection and transmission of its revenue from all parts of Europe to Rome and Avignon." It was taken up by other towns and it soon spread throughout all Europe. The explanation of the Bill of Exchange can be very clearly given by means of an example. Let us take, for instance, two men, James and Thomas, who are doing business here in Ottawa, and two others, Denis and Charles, who are likewise engaged in business in New Westminster, British Columbia. Now, suppose that James owes Denis a certain amount of money, and at the same time Charles is indebted to Thomas for a similar amount, instead of James sending to Denis what he owes him, and Charles doing the same for Thomas, they will settle by means of a " Bill of Exchange." That is, James will purchase from Thomas the bill for which Charles is indebted to him and will transmit the bill to Denis who will then collect the amount from Charles, thereby settling both accounts. Thus, by this Bill of Exchange " the trouble and risk experienced in transporting money is avoided without any of the parties concerned losing anything thereby. Of course there may be a little discount on the Bill, but its amount cannot be greater than would be the cost of transmitting specie in direct payment, including interest and insurance. Though a simple example, this embraces fully the idea of the " Bill of Exchange."

Seeing the great advantages derived from this plan of transacting business, it was thought that something similar to it should be adopted within each city, and the result was that as early as the fifteenth century " banks of deposit and issue" were established. At first these banks did not issue paper-money, but in 1694 the Bank of England, and in 1695 the Bank of Scotland, were established, and the issue of bank notes to those who borrowed money was a feature of each institution. From " time notes" bearing a low rate of interest and consequently sure to be presented for redemption, the bank of England grew a little bolder and issued demand notes bearing no interest, and these rapidly passed into circulation : but at the same time they were prudent enough to keep on hand sufficient specie to be able to meet the largest ordinary demand that might be made for it. Such was the beginning of our modern bank-note, whose