dled with a war debt of 250 millions of dollars may be pardoned and pitied for being cursed with *fiat* money. It was an involuntary act. In Turkey they have adopted a system after the exact model of Mr. Wallace and his friends, which has been "issued to such an extent as to become in the end of merely nominal value, and altogether refused in commercial intercourse." Surely the Turkish Government is strong enough to make its *fiat* money current, if it were possible to do so. In Russia there is little else than paper money in actual circulation, and as it is only about 20 per cent. below its nominal value, it may be inferred that some limit is put upon the issue. In Italy irredeemable paper is the common currency, the discount on which is 10 to 12 per cent. In Greece, as might be expected, they have an inconvertible paper currency, made legal tender by Royal decree, and consisting chiefly of notes of the National Bank. In Austria, the paper currency is inconvertible, and at a large discount for gold. The result is that in those countries where inconvertible paper money is used there is no stability whatever, and the rates of discount vary according to the amount in circulation. As a rule this deteriorated currency has been adopted from necessity, owing to large military expenditure. It is generally admitted to be an evil, and if we did not know the fact we should not believe it possible that any intelligent men could be found who would advocate such a currency unless from compulsion. We shall no longer detain our readers from "the value of paper money."

THE VALUE OF PAPER MONEY.

You know that, practically, far the greater part of the business of the world is carried on by using paper or credit instead of gold. Only an insignificant fraction of mercantile payments is made by actually counting out gold. If one merchant has to pay another a thousand dollars in gold, he simply hands him a check for the amount, which the second merchant, perhaps, passes over to some one else. Here is a piece of paper, of no value whatever in itself, passed from hand to hand just as if its value were a thousand gold dollars. How is this? Can we say with correctness that the check has any real value? The answer is clear and simple. The value does not reside in the check itself, but in the 23,200 grains (say three pounds avoirdupois) of gold to which the holder of the check is entitled, and which he knows the bank is able and ready to pay him. That is all. If the bank is not bound to pay the check, no matter how many dollars may be marked on it, no matter how beautiful the engraving, it is worth nothing. If the check is not payable in gold, but in greenbacks, then it is worth not a thousand dollars in gold, but only in greenbacks. So it is with all the commercial paper money of the world, which circulates in such enormous quantities in place of money. Its sole basis is that responsible men are bound to pay it, and its only value depends upon the weight of the gold to which it entitles the holder, no matter whether it is called pounds, francs, or dollars.

Observe carefully that it is not sufficient that the paper "represents" so much gold, or that the firm which issues it is very wealthy or powerful. The holder of the paper must have an acknowledged right to the gold, which the bank is not going to dispute. If there is any doubt whether he himself, or any one to whom he may pass the check, will be able to get the gold for it, then the check will be depreciated. If it is certain that no one can ever get the gold for it, its value will be just that of a pretty picture for the children to play with, no matter how strongly it may be declared to represent a thousand dollars.

Now, with a single exception, which we shall consider presently, the value of Government paper money is determined in precisely the same way with that of mercantile paper. In itself it has no value at all. Congress may stamp it one dollar or one hundred dollars; but unless it entitles the owner to claim something, it is a mere piece of paper. If the owner can actually get a gold dollar with it, it is worth a gold dollar; otherwise it will be more or less depreciated in value, according to the hope of future payment which the holders may entertain. Of course Congress can make every one call it a dollar and receive it under that name, but we have seen in the first lesson that this does not give it real value—that is, purchasing power. If any one is compelled to take it, he simply puts up the price of everything he has to sell in proportion to the depreciation of the paper, so that the result is the same as if the paper passed at a discount.

We must now point out a fallacy by which the supporters of irredeemable paper money often try to get round these considerations. It is said that the greenbacks, or their proposed paper dollars, are to be issued "on the credit of the nation," and therefore must have value in proportion to that credit, even if the nation does not redeem them.

The word "credit" is here used in some peculiar sense (which no one can fully explain) wholly different from its commercial sense. In the world of business, "credit" includes the ability and the obligation to pay all demands in cash as they become due. A man or a firm that cannot do this has no credit, however excellent it may be in other respects. Suppose you should be travelling in a distant city, and going to the cashier of your hotel for change, he hands you a ten-dollar bill on the banking firm of Spread, Brothers, & Co.

"Are you sure this bill is good?" you inquire.

"Good as gold, sir. The firm of Spread, Brothers, & Co. is the greatest in this State, possessed of unbounded wealth, and its operations extend over the whole globe."

"Then," you reply, "I suppose if I take this bill to their counter, they will pay it?"

"Pay it! Why, no, sir. You would be hooted by the small boys in the street, and laughed at by Spread's clerks. The credit of the firm is so excellent, and all its debts so well secured by real estate and bonds worth millions of dollars, that both the firm and community concluded, ten or twelve years ago, that there was not the slightest need of their redeeming their bills, and they are never going to do it."

"I don't understand that kind of credit. In my State, credit paper is something which the party issuing is bound to pay when required; and if he does not pay, he has no credit, no matter how rich he is."

"Of course twopenny firms must pay. But we claim that a firm so great, powerful, and wealthy as that of Mr. Spread need not pay."

"Well, sir," you would reply, "I don't see what difference it makes to me how wealthy Spread's firm is, or how well their paper is secured, if I can't get any of their wealth in exchange for my bill. I always thought the advantage of having the paper of a wealthy firm was that it was surer to be paid; but if the richer the firm, the less the need of paying, I would rather have the bill of some smaller house."

"Ah, you know nothing about finance, I see; and I'll get you some foreign money rather than argue further with you."

If a hotel cashier should talk in this way to you, you would be a little puzzled to say whether he was joking or in earnest. And yet great statesmen do argue in just that way about our greenbacks. There are bills to the amount of four hundred millions of dollars afloat, reading, "*The United States will pay the bearer —— dollars.*" Yet if you should take one of these bills to the Government's counter, asking that this promise be redeemed, the clerks would laugh at you. A year or two since some one did this very thing, and the newspapers speculated on the man's sanity, while a Treasury official thought he was only trying to make himself notorious. If a politician tries to justify permanent *non-payment*, he will talk about the credit and wealth of the nation exactly as the hotel clerk talked about Spread, Brothers, & Co. Now, it will be a very profitable mental exercise if the reader will ask himself what is meant by the promise, "*The United States will pay the bearer —— dollars*: and if, also, for each theory of the subject he may form, he will consider how it will look for a banking firm to put that same interpretation on its promises. To give the reader time to think this matter over, I will here close this lesson.

LIFE INSURANCE FOR NOTHING.

"Now, here is a catching title," we think we hear our readers say. Yes, we admit it; it is intended to catch the eye of every prudent man in Canada who has not made ample provision for the future. A great many persons are deterred from entering upon such a provision for the future, simply because of the fancied expense—the doubt of being able to maintain the yearly or half-yearly premium, as the case may be. It is our purpose to attract the attention of this large class of our people to an important method of insuring, a method which exhibits in a striking and popular way what can be effected by the capitalization and re-investment of interest.

To speak of "life insurance for nothing" will appear a gross exaggeration, and yet it can be shown from the present point of view that it is literally exact. A few brief arithmetical facts will suffice to illustrate and prove the truth of this statement. But let the writer take it as his own case, and adopt the "ego" for the nonce. I have a fairly regular amount in salary or earnings, as the case may be, and out of it I can well spare $50 per annum for any object I may have in view. I can invest this and get say 4 per cent. interest for it, and this interest I can of course invest also. But I know something of myself by this time, and I am tempted to say that this is all delusion. It is doubtful whether I should invest the $50, and still more doubtful whether I should invest the $2.00 of interest. What man in a hundred there is that does or would? However, if by rigid adherence to my determination I did invest my $50 regularly every year at the assumed rate of interest, and scrupulously invested the trifling