

silver or gold. If all these notes were brought into the treasury at the same moment, they could all be paid.

Fiduciary paper money is that which, like our own Dominion notes, is redeemable at the Dominion Treasury. But in this case the Treasury has not the wherewithal to pay off at one time all its notes in circulation, so that this is called fiduciary (fiducia, confidence or credit), because its acceptance in the ordinary course of business depends on the general credit of the country.

Inconvertible Paper Usually a War Measure.

Inconvertible paper money is that which does not give the holder any legal claim to receive metallic money in exchange for it—it cannot be converted into gold or silver at his wish. It is often issued by Governments at critical times when they have no coin with which to meet their obligations. The Americans issued it to finance the Revolution, the Confederate States to finance the Civil War. At such times it might be considered a patriotic duty not to embarrass the Government, and the takers of such money would hope that when the crisis was over these obligations would be redeemed with something more tangible. This money, indeed, passed from hand to hand, becoming less valuable (in relation to gold) as it increased in quantity, and the chances of redemption thus became more remote. Though there are certain theoretical arguments in its favor, the issue of inconvertible paper money has never turned out satisfactorily, either for the issuing government or for the people who had to accept the money.

The Value of Gold.

We have seen that standard metallic money must have intrinsic value equal to the value stamped upon it by the Government. Gold gains nothing in value by being coined. In other words, its value as a commodity is equal to its value as money. We usually prefer having it in the form of money, because then its value is indisputable, guaranteed by the Government, and we can get what we want in exchange for it.