

to about \$100,000,000,* for a few years past has averaged something like 30 to 40 millions only, and when the enormous expenditures of the Government (which have not for some years fallen very much short of the fluctuating revenue), and the large and increasing volume of outstanding silver certificates are considered, the element of danger always attending the Government's silver policy can be properly appreciated. The Secretary of the Treasury had power to procure gold by an issue of bonds, if necessary in order to redeem the circulation, but that the Government should not have thought it necessary to exercise this power immediately the decreasing gold reserve commenced to bear insignificant proportions to the great mass of silver notes outstanding, can only be understood—even allowing for political exigencies—on the theory that the leaders of the Government utterly failed to appreciate the real dangers of a policy which they were earnestly deprecating.

At the resumption of specie payments in 1879, the paper currency of the country consisted of \$347,000,000 of greenbacks, to redeem which a sum of \$100,000,000 of gold had been accumulated, and \$329,000,000 of notes issued under the National Bank system. The contraction of the currency which had been effected at this time, would seem to have been somewhat greater than was necessary, for \$25,000,000 odd of silver certificates which were annually poured into the country appear for some years to have been readily absorbed, while from 1884 to 1890 the increase of silver currency did little more than fill the gap caused by the shrinkage of the National Bank circulation due to the retirement of Government bonds, so that up to this date the silver purchases had resulted in very little increase to the currency. The effect upon the volume of paper since then, however, can be best illustrated by the following diagram. I omit the figures of the gold certificates, which do not effect any increase in the currency, since an equivalent amount of the country's gold stock is surrendered into the custody of the Treasury to be held intact against them.

* This is to be distinguished from the \$100,000 000 reserve held as the basis for the Greenback issues.