FIFTY BOOKS
ON
BIMETALLISM, FREE COINAGE OF SILVER,
PAPER-MONEY, AND BANKING
SELECTED AND DESCRIBED
BY
PROF. J. LAURENCE LAUGHLIN
HEAD PROFESSOR OF POLITICAL ECONOMY IN THE UNIVERSITY OF CHICAGO
SUPPLIED BY
CHARLES SCRIBNER'S SONS
153-157 FIFTH AVENUE
NEW YORK
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RETAIL DEPARTMENT
Is placing this list before the public it should be borne in mind that it is intended as a guide for the “general reader” rather than the student.

And with the needs of the “general reader” in view, it was thought that a brief list of popular standard books in print, dealing with all phases of the money and banking problems of the day, and annotated by a recognized authority, would better meet the present demand than an approximately complete bibliography of the subjects.

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ON
BIMETALLISM, FREE COINAGE OF SILVER, PAPER-MONEY, AND BANKING

* * All books are bound in cloth unless otherwise stated.

General Works.


This is an extended account of the financial history of the United States from its foundation. It does not go deeply or minutely into monetary history, except as to banking and general questions. It does not touch the question of gold and silver with any fulness.


An invaluable and accurate compilation of our important national legislation on Currency, Coinage, Loans, and Banking. It saves the labor of consulting the Statutes at Large, and gives every act the student of our monetary history needs to examine down to 1891.


A general treatise on money, a model of clear exposition on functions of money, coinage, metallic systems, the double standard, clearing-house, paper-currency, and banking. It is explanatory, not statistical; and remains the best general book on money, although written nearly twenty years ago.


Does justice to the main facts of monetary history. The text is a valuable source. It is a piece of first-rate monetary writing. It is a book that is well worth the careful attention of the general public.


Twelve extension lectures on: Reasons for money; coinage; production of gold and silver;

A collection of facts bearing on the early banking and monetary history of our country. It is somewhat fragmentary. Later books have in some measure superseded it; but its exposition of the evils of depreciated paper remains exceedingly valuable. It was long a pioneer in an unknown field.

Favors gold.


This volume, published many years ago, treats of the theory of money, and devotees attention to paper-money. It contains a great deal, but does not deal very directly with the burning monetary questions of the day.


An admirable, readable, interesting, and instructive account of banking events in the United States, bearing on general principles of money. Gives the elementary principles of money, studies local tender, and explains the working of the gold standard in England and United States, with statements about France, Germany, Holland, Austria, and India. Favors single gold standard.

Bimetallism (Against).


A very useful book, but not at all the strongest statement of his side. Mr. Giffen formerly urged that prices had fallen because of scarcity of gold. So this plea looks something in definiteness.


Gives our experience with bimetallism at 15 to 1 from 1799: explains acts of 1854, 1855, 1857, 1861, 1876, and 1890; collects the statistics on production of gold and silver since 1850; annual ratio of gold to silver since 1851; monthly ratios since 1845; monetary laws of United States, France, Germany, Belgium, Italy, and Austria; considers the cause of the fall in value of silver, and thinks it due to the abundance of gold. Favors single gold standard.


Study in 1887 showing that the fall of prices mentioned by Mr. Giffen could in every case be explained by conditions peculiar to each commodity, and not traceable to any scarcity of gold.


A paradoxical collection of facts for centuries back to show that prices of goods do not depend upon the quantity of money in circulation. Studies especially Germany, England, and France. Contains many valuable facts affecting money and wages.


contains U. S. Coinage and Currency Laws; the World’s Currencies; the whole of Trench’s “The People’s Money”; H. White’s “Coin’s Financial Food”; the Bullion Report; Nelson’s


A pertinent and admirable study on the operation of the Acts of 1873 and 1890 concerning silver; points out the fallacies in the argument for free coinage of silver; studies the bimetallistic reasoning; and concludes that gold is a satisfactory standard.

WELLS, DAVID A. Recent Economic Changes and Their Effect on the Production and Distribution of Wealth and the Well-Being of Society. 12mo, pp. xii + 493. New York: 1892. $1.60. Postage, 15 cents.

An interesting and attractive story of the great influence of invention and industrial progress upon lowering prices of goods. It furnishes detailed facts which improve the theory that prices have fallen because gold is scarce. An unusually interesting volume.

Bimetallism (For).


Holds that prices have fallen because of demonstration of silver; that appreciating money rob debtors; that transactions have increased faster than money; and that the only remedy is to abandon bimetallism. Believes that gold has risen, and produced untold damage. This book does not advocate the single silver standard.

HORTON, S. DANA. Silver in Europe. 12mo, pp. xii + 324. New York: 1892. $1.60. Postage, 15 cents.

An intelligent writer, who furnishes abundant facts. Advocates the double standard.


An advocate, not of silver monometallism, but of international bimetallism, on ground that the general level of gold prices is less stable than that of silver prices; believes in the quantity theory of money; and that the single gold standard is not a satisfactory one. The second part is made up of separate essays on allied subjects. Favors double standard.


The best and most recent statement in favor of the double standard opposes the attempt by the United States alone to rehabilitate silver. Aims to prove that bimetallism was effective in France to 1851; discusses demonstration in 1838; reviews recent commissions and conferences; thinks prices have fallen because of insufficient gold. Ex corollary, not statistical. Discusses the theory of bimetallism, while also giving some early history of money.

— MONEY IN ITS RELATIONS TO TRADE AND INDUSTRY. 12mo, pp. 226. New York: 1889. $1.60. Postage, 12 cents.

Abridgment in a single volume of "Money" (1876), but enters into the recent bimetallistic controversy. Emphasizes the construction produced by the "crack" of metallic money, and discusses bank-money in Great Britain and the United States. A popular treatise.


The well-known argument by the Archbishop of Dublin against the single gold standard. Favors bimetallism, not free coinage of silver.
Free Coinage of Silver (For).
A collection of editorial articles opposing the gold standard and favoring free coinage of silver.
In the form of 800 articles, coin teaches and confounds certain persons who have remarks in their mouths which he answers. Declares silver to have been the unit from 1392 to 1796, prices to have been determined by scarcity of gold, and emphasizes the benefits of the silver price. This is the book which has had the greatest influence in the West and South. Favorers free coinage of silver at 16 to 1.
An unabridged report of a debate running from July 16 to July 29, 1895. Mr. Horr attacked the teaching of "Coin's Financial School," and Mr. Harvey defended it.
Free Coinage of Silver (Against).
A strong argument against silver from a resident of Colorado. Not a systematic treatise, but directed at the immediate questions raised by the silver party. Favorers gold.
A reply to "Coin's Financial School," refuting the usual arguments for free coinage of silver at 16 to 1. Discusses the unit adopted in 1392; examines the "Crime of 1797"; studies the effect of free coinage on the world's money; ethics of the measure; the price of 1893, and gives the statistics of gold and silver. Favorers gold standard.
An exposition of the errors connected with free coinage of silver in a very simple and clear style. An easy reading, but correct in its principles. It is an admirable answer to Coin's teaching.
Clear exposition of monetary principles in elementary form. Shows that prices do not depend on the quantity of money. Not exhaustive, but meets most of the current arguments for silver in a simple way. Favorers gold.
A convincing answer to "Coin's Financial School," by a Western journalist. Shows that commodities have increased in value; compared the change from a gold to a silver standard to the shipping on Niagara. Favorers gold.
Clear and brief reasons against free coinage of silver at 16 to 1.

Gives a general, but not profound, description of banks from early times. A convenient collection of matter relating to early banks, and the modern systems of England, Scotland, Germany, Austria, United States, Canada, etc. Crises are briefly treated; but the advantages of bank currency shown.


A brief compendium by a banker of the growth and present operation of the Canadian Banking System, the model for the “Baltimore Plan” of bank reform. The Act of 1891 is given.

DUNBAR, CHARLES F. Chapters on the Theory and History of Banking. 12mo, pp. vi + 199. 1891. $1.00. Postage, 12 cents.

By far the best exposition of the fundamental principles of banking. Treats of the functions of discount, deposit, and issue; of combined reserves and clearing-house certificates; and describes the Bank of Amsterdam, Bank of France, Bank of England, the Reichsbank of Germany, and the National Bank of the United States. Especially important is his explanation of deposits as currency.


A full and penetrating treatise on the principles of banking. MacLeod made the contribution that the deposit function has worked identically as the issue function; that expansion can take place as well by credit deposits as by issues.


Showing by illustrative material the practical operation of banking principles in English banks. Intended more for practical bankers and special students of banking than for general readers on money. It is a valuable book, written with great good sense. His study would help to a better knowledge of prudent banking.

Miscellaneous.

ELLSTÄETTER, KARL. The Indian Silver Currency. An Historical and Economic Study. 8vo, pp. x + 117. 1895. $1.25. Postage free.

Describes the monetary systems of India historically; the imports of gold and silver into India; the use of the precious metals there; the effect of the fall of silver on Indian prices, on exports of wheat, and on the cotton industry. Gives the relation of the finances to the value of silver.


Accepts the usual silver arguments against the gold standard, and advocates as a remedy the “Multiple Standard.”


Collection of papers whose central idea is that monetary reform demands first of all a monetary commission of experts. Favors gold and retirement of greenbacks.

MCPherson, LOGAN G. The Monetary and Banking Problem. 16mo, pp. vi + 135. New York: 1896. 80 cents. Postage, 8 cents.

A bright and penetrating attempt to show that money should be based on “human effort” in various forms, rather than on any one article like gold or silver.
“Our Currency: What Are its Defects?

What Remedies Are Practicable?

Would a National Commission Help to Promote Reforms?”

A Discussion before the

COMMERCIAL CLUB

OF CHICAGO,

October 27th, 1894.
SPEAKERS.

MR. WM. T. BAKER,
President, Commercial Club.

J. LAURENCE LAUGHLIN,
Professor Political Economy, University of Chicago.

MR. LYMAN J. GAGE,
President First National Bank, Chicago.

HON. A. B. HEPBURN,
Late Comptroller of Currency, New York.

HON. JAMES H. ECKELS,
Comptroller of Currency, Washington, D. C.
The 120th meeting of the Commercial Club was held at the Grand Pacific Hotel, October 27, 1894, the subject for after-dinner discussion being:

“Our Currency: What are its defects? What remedies are practicable? Would a national commission help to promote reforms?”

Mr. Wm. T. Baker, President of the Club, in opening the discussion, said:

The subject for discussion to-night is one of paramount importance to all of us. It is of more immediate consequence to businessmen than any issue that is now occupying the thoughts of the American people, for what avails it to you if you get protection or to us if we get free trade if the national credit is to be wrecked or even put in jeopardy? The repeal of the Sherman act did not regenerate our currency system; it was but a halt in our headlong downward course, a breathing spell, enabling us to retrace our steps or make preparations for the future. We have thus far failed to improve our opportunity.

The Treasury Department shows that on October 1 there was about $1,100,000,000 of silver and paper currency in circulation, the integrity of all of which depends upon less than $20,000,000 of gold in the treasury. It is true there is some $500,000,000 of Silver dollars and silver bullion in the Treasury but the value of that silver hoard at current market rates is less than $200,000,000, and besides that, nobody wants silver. Five hundred million dollars of silver in the treasury, $500,000,000 of gold in circulation, $60,000,000 of gold in the treasury, 54,000,000 of silver dollars in circulation, shows that the people will not have silver, and legislate as you will they will have gold. These figures are, I believe, a complete answer to the claims of the free silver advocates, and when properly considered, I think, must
disturb the dreams of some friends of ours who have taken refuge in the neutral half-way house of bimetallism.

Incongruity of Currency System.

Introducing the subject of the evening I will briefly call to mind the absurd incongruity of what is called our currency system. There are six kinds of paper currency, each of which is the creation of emergency legislation or the desire of some statesman to immortalize himself by the invention of a new sort of cheap money. First, in chronological order, are the United States notes, commonly called greenbacks, of which there were $346,000,000 outstanding when Congress called a halt on their retirement by Secretary McCulloch. These are full legal tender for all manner of debts and are absolute fiat money, though a distinguished Senator from this State, in a speech in the Senate, announced that they were "founded on the best blood of the country."

Then comes the gold certificates, of which there are about $45,000,000, issued against deposits of gold in the treasury. These were created to facilitate dealing in and delivery of gold during the days that led up to Black Friday. These are a full legal tender, but have this limitation, that they may not be issued when the gold reserve falls below $100,000,000. Then there are the currency certificates, of which $56,000,000 are outstanding. These are certificates issued against the deposit of United States notes or greenbacks with any subtreasurer, and are redeemable on demand only at the place of issue in the same currency which is set aside for that purpose. This currency is not issued in smaller denominations than $5,000, and is used in settling clearing-house balances, but may be considered as part of the legal reserve held by any national bank.

I may say, in passing, that clearing-house certificates, under certain conditions, are also deemed lawful money by act of Congress. Then come the silver certificates, of which about $349,000,000 are outstanding. These are certificates issued against the deposit of coined silver dollars. They are a full legal tender and are specifically redeemable in silver dollars. Then there are the treasury notes, issued under the Sherman act to the extent of $151,000,000. These notes were issued for the cost of silver bullion when it was purchased by the Government. They are a full legal tender and are redeemable, in the discretion of the Secretary of the Treasury, in either gold or silver coin. But the same act declares it the policy of the Government to secure the circulation of gold and silver on a parity with each other, which robs the secretary of his discretion to redeem in gold or silver; for, whenever the Secretary of the Treasury shall, from necessity or inclination, redeem either the treasury notes or silver certificates in anything but gold, one-half of the value of all this circulation will disappear as if by magic, and the country will be on a silver basis.

Finally, there are the national bank notes, of which $297,000,000 are outstanding. These notes are not a legal tender between individuals, though they are receivable on deposit by the national banks and by the Government in payment of all debts and taxes except duties on imports, and payable by the Government for all salaries and debts except interest on the public debt and in redemption of Government notes.

Some time since in my travels I made the acquaintance of a Congressman of so long a term of service that his vote must have been cast on most of this monetary legislation. He was unable to tell me the attributes of a single class of currency enumerated. He apologized for his inability by saying that he was not on the committee of banks and banking. It occurred to me then that if this experienced legislator depended upon a committee of the House of Representatives on questions where his single vote might cause disastrous legislation, that a national commission to consider this question and recommend to Congress a solution of it would be both wise and patriotic. Such a commission, free from partisan bias—and there is no politics in business—if created by Congress should have weight with it. I believe such a commission of business men, not politicians, would easily find a solution that would commend itself not only to Congress, but to the whole people.

Finance is classed as a science. It has not been treated as a science in Congress, but I think it will be scientifically treated here to-night. I will first call a man of science, the professor of political
economy at Chicago University, and I take pleasure in introducing Prof. J. Laurence Laughlin.

PROFESSOR J. LAURENCE LAUGHLIN.

A MONETARY COMMISSION.

The haphazard, incoherent character of the American currency system is regarded to-day not only as a puzzle by intelligent foreigners, but as a necessary evil by thoughtful citizens at home. We know it is bad and disgraceful, but too often in a cowardly way we are inclined to suppose it is irremediable. But should we suppose this? Indeed, there is something in the air which makes us suppose otherwise. Is there not a rift of light in the clouds? And in a simple and business-like way we have to-night proposed to set about making things better. If we picture in strong colors the evils of the monetary situation it is in order that we may know just what and where the evil is, to the end that we may set about making things better.

FUNCTIONS OF MONEY.

As we all know, money performs three different functions. First, it serves as a medium of exchange; as, when having potatoes, we exchange them for money in order that we may buy telescopes or books. Second, it serves as a common denominator of values, as when we state the values of two commodities in terms of money and thus compare relative values. Thus I may say that my horse estimated in money would exchange for B’s carriage, although we may not use money in any exchange. Third, as a standard of deferred payments it serves for the liquidation of long contracts which cover certain periods of time. These last are cases of exchange into which the element of time enters.

EXISTING MEDIUMS.

Now what are we using to-day in the United States to perform these functions?

GOLD AND SILVER COIN AND PAPER CURRENCY IN THE UNITED STATES TREASURY AND IN CIRCULATION, OCTOBER 1, 1894.

<table>
<thead>
<tr>
<th>General Stock</th>
<th>In Treasury</th>
<th>In Circulation Oct. 1, 1894</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold Coin</td>
<td>$704,758,387</td>
<td>$70,892,839</td>
</tr>
<tr>
<td>Gold Certificates</td>
<td>64,345,090</td>
<td>5,250</td>
</tr>
<tr>
<td>Standard Silver Dollars</td>
<td>421,176,408</td>
<td>386,800,106</td>
</tr>
<tr>
<td>Subsidiary Silver</td>
<td>76,004,481</td>
<td>16,899,713</td>
</tr>
<tr>
<td>Silver Certificates</td>
<td>339,676,594</td>
<td>9,155,765</td>
</tr>
<tr>
<td>Treasury Notes (Sherman Act)</td>
<td>121,965,877</td>
<td>30,112,882</td>
</tr>
<tr>
<td>U. S. Notes (Greenbacks)</td>
<td>346,081,016</td>
<td>70,399,833</td>
</tr>
<tr>
<td>Currency Certificates</td>
<td>66,305,000</td>
<td>559,000</td>
</tr>
<tr>
<td>National Bank Notes</td>
<td>205,554,458</td>
<td>5,015,748</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$2,259,541,439</td>
<td>$287,692,485</td>
</tr>
</tbody>
</table>

You have before you the usual statement giving the total volume and constitution of our circulating medium. We have here a dime museum of finance—"the greatest aggregation of curiosities ever before exhibited under one canvas in this world." There are nine different and confusing kinds of money: Two kinds of gold money, four kinds of silver money, and three kinds of paper money. The sum total of the four kinds of silver money amounts to about the same as the sum of the two kinds of gold money. Briefly about thirty-five per cent is gold, thirty-five per cent is silver, and thirty per cent is paper.

It is a confusing, heterogeneous mass; but yet these statements do not cover the whole field of our currency. There is another kind of currency which never figures in popular discussion, while in its peculiar effect it is more important than any of these items just mentioned. It is one whose importance is out of all proportion to any other component of our currency and yet it is little known and often misunderstood by the great mass of the American people.

It is impossible to examine our great monetary system in part. It will be necessary to treat it as a whole. No correct conception is possible until we have an explanation of what this important part of our currency is which has been overlooked. What I refer to is the currency function performed by what are technically known as "deposits" in the banks of the country.
CURRENCY FUNCTION OF DEPOSITS.

In early days deposits meant the storing of money with a bank for safe keeping. When, as in the days of the banks of Venice and of Amsterdam, the actual money was withdrawn or deposited, or credits were transferred to a third person, the coin reserve and the deposit liabilities were equal. But we have changed all that. With an entire independence of legislation and solely by the ingenuity of practical business men, the amazing development of modern credit has created a splendid machine for transferring goods through the forms of banking at the minimum of expense. But phenomenal as this system is, it is often little understood even by those working in it.

Now let us examine for a moment just how this important currency function of deposits actually works. Of course we all know that a bank, just like any commercial dealer in grain or hardware, makes its profits by buying and selling something. It buys debts payable at a future date, and gives in return for them debts of its own, payable on demand, and these debts are technically named in modern banking language, "deposits." This is a simple purchase and sale. The bank now owns the notes, secured by collateral, the sum total of which forms the item of "loans" on the resources side of the bank account. At maturity these promissory notes are paid. This is all very simple. Now what follows? Why, it follows that it makes no difference to the profit of the bank in what special form it gives its customers the right to demand payment. The bank bought these debts by giving a right to demand immediate payment; but this right to demand payment creates a liability against the bank. The particular form of the liability does not modify the profit that has been provided for in the antecedent operation. One form of creating this liability is the issue by the bank of its promises to pay—i.e.: bank notes. Another and common form is to place a deposit to the credit of the customer. Which of the two will in fact be used depends upon the preference of the bank's customers and upon the business habits of the community in which the bank is situated. In a financial center deposits and checks are chiefly used; in a country town and in retail transactions actual bank notes are more often used.

CURRENCY DEPOSITS AS A MEDIUM OF EXCHANGE.

Such is the technical process of creating this "deposit-currency." Now, how does it act as a medium of exchange? (1) If A buys a horse for $200, he pays B for it by drawing on his account in a bank; and B deposits that check in another bank. In the end the checks are offset against each other by various banks at the clearing-house. (2) When A discounts his note (secured by railway bonds), and has a credit in the form of a deposit, he is really expressing his property—in this case a part ownership in some railway—in terms of the standard of payment, but he pays his debt to B by a check, and B also using checks, there is no coin or notes used. Or again, (3) A sells a car-load of wheat, and draws a bill on the Chicago purchaser for the sum. A discounts this bill, and has a credit on his deposit account, representing his wheat expressed in terms of money. But B sold A woolen goods to the same amount. B draws on A for the sum, and B gets a credit to his account. Through the banks, then, those two bits of paper meet and offset each other. That is, the wheat and woolen goods, expressed in the common denominator of value, were exchanged against each other by the medium of exchange known as deposits-currency. Now, I may be allowed to show by a few figures the extent to which this particular medium of exchange is actually used.

Of course it is a truism to many of you here to say that ninety-two to ninety-five per cent. of all exchanges of goods are performed by the aid of this deposit-currency. In 1881 for receipts on one day of $167,000,000 in New York ninety-eight and seven-tenths per cent. were in the form of checks, drafts, etc.; for the whole of the United States the percentage was ninety-five. In 1890 (July 1 and September 17) the percentages were ninety-two and ninety-one respectively for the country as a whole, but the slight decrease since 1881 was due to an exceptional use of paper money at this particular time.
For some places in the United States and Great Britain the situation is as follows:

<table>
<thead>
<tr>
<th>Place</th>
<th>Coin per cent.</th>
<th>Bank Notes per cent.</th>
<th>Checks, etc per cent.</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>.38</td>
<td>.96</td>
<td>68.90</td>
</tr>
<tr>
<td>London</td>
<td>.73</td>
<td>2.94</td>
<td>67.23</td>
</tr>
<tr>
<td>Edinburgh</td>
<td>.55</td>
<td>12.67</td>
<td>86.78</td>
</tr>
<tr>
<td>Dublin</td>
<td>1.07</td>
<td>8.33</td>
<td>86.60</td>
</tr>
<tr>
<td>361 country banks</td>
<td>16.30</td>
<td>11.34</td>
<td>72.86</td>
</tr>
</tbody>
</table>

And every business man to-day consults the total volume of clearings to see whether the total trade of the country is increasing or diminishing. That is, practical men are constantly acting on the assumption that transactions and clearings are nearly synonymous. The figures of the national bank system show that with a slight increase in capital since 1875 the currency deposits have more than doubled, while the bank notes have dwindled to nearly one-half:

<table>
<thead>
<tr>
<th></th>
<th>October 1, 1875</th>
<th>October 1, 1880</th>
<th>Increase per cent.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>$504.8</td>
<td>$678.5</td>
<td>33</td>
</tr>
<tr>
<td>Deposits</td>
<td>670.4</td>
<td>1,465.4</td>
<td>115</td>
</tr>
<tr>
<td>Circulation</td>
<td>319.1</td>
<td>193.0</td>
<td>442</td>
</tr>
</tbody>
</table>

*Decrease*

This explanation and these figures show how much more important to the currency system of the United States the deposit-currency is than the mere bank notes; and yet our statute books are to-day dotted over with legislation about bank notes, while very fortunately they say nothing about the deposit-currency. So far as the profit of the bank is concerned it makes no difference to it whether it gives the right to call for deposits on demand or whether it gives a promise to pay paper on demand. In either case the liability is the same. It is only a difference in the method of meeting the convenience of the customer. As a rule, if the customer has large payments, to make checks are used. If he has to make small payments, then actual money or bank notes are used. And please observe that either of these two forms of liability serves satisfactorily as a medium of exchange. We must, therefore, include in our monetary system the currency function of deposits. Indeed it is the most important of all our methods of making exchange.

[Professor Laughlin here explained a diagram on the wall which showed graphically by colored areas the various constituents of our currency, and disclosed the striking preponderance of the great mass of deposit currency over any of the other media of exchange. The deposit-currency dwarfed all others, being $2,063,000,000.]

If such an intricate mechanism as this really exists, and if it is omitted from discussions on our currency, and even not understood at all, does it not give us some conception as to the careful and deliberate way in which we should go about examining our system and remediying its defects? Is it not about time that unpartisan commissions should be consulted? If we are to make a study of our monetary system, to obtain a thorough understanding which will be of permanent service, it must be taken out of the hands of partisan and narrow-minded advocates of special nostrums.

DEMAND FOR MORE MONEY.

Some of our friends who believe in a large expansion of the currency and who think that agency should be encouraged which most largely adds to our circulating medium, must regard the banking system of the country with the greatest gratitude and satisfaction. Those of our farmers who believe we need more of the circulating medium should entertain a friendly feeling to the banks, because they are carrying out their wishes more effectually than any other possible agency in the country. From the foregoing exposition this must be clear. To enumerate the media of exchange of the United States today, including only gold and silver and paper money, and leaving out the colossal system of deposit-currency, would be an act of gross ignorance. It would be as if in writing a treatise on the transportation system of the United States one should include only packhorses, wagons, stage-coaches, and canals, and should omit all mention of railways and steamships.

But, someone says, "this vast system of credit must be liquidated in actual coin or money; and so our business system rests like an inverted pyramid on the apex of a small reserve of coin." Now, how true is this? If I have explained the facts aright, the function of a medium of exchange for goods is being less and less served by coin
and paper, and more and more by the deposit currency; that is, actual coin and notes serve more and more only in the second function of money as a common denominator of values. Today, we express the value of goods in terms of money, but then we really exchange them almost entirely by means of the deposit-currency.

And now note this other fact: These transactions expressed in terms of money are based not on coin, but upon the goods bought and sold. When a car-load of wheat or a bale of goods is sold, a check is drawn as a result of the transaction, and the total of these transactions makes up the total of the grand result of $60,000,000 (the amount of clearings in the United States) performed by the deposit-currency. No business man waits until checks and money reach a certain level before he thinks the circulating medium of the country is "large enough for the needs of trade" before he sells his car-load of wheat or bale of cotton. He first sells his grain or cotton and draws a check afterward. This deposit-currency is the consequence and result of the transactions. The system I have been describing, therefore, is as broad as the transactions; is ultimately resolved into goods, and is based on goods. It is not true, therefore, that this system is unstable, like an inverted pyramid. The transactions in goods are the reason for the existence of the checks and deposits; the checks and deposits are not the reason for the existence of the transactions.

**Liquidation in Coin.**

But someone says, "for every transaction one must be able at any time to get coin." But all goods are not being pressed for liquidation at the same moment. No one seeks coin for its own sake. Just to the extent and during the time that we keep money in our hands it earns absolutely nothing for us. We earn something on money only by letting it go. Hence, everyone tries to invest—i.e., get rid of his money. This explains why the quantity of money in a country is always so small a percentage of the total wealth, or even of all the goods at any time seeking exchange. Let a bridge over a river, money serves satisfactorily for many, by serving for a few persons and things at a time. A million men can easily cross a bridge 100 at a time, but in a panic, when all attempt to cross at once, no one gets over and many are hurt. So of goods and money; if in a panic all property is offered for money at once, no one can get actual money. After a panic fewer goods are offered for money than usual and money is superabundant.

To this point I have gone in describing our existing methods of exchanging goods. In emphasizing the currency function of deposits, do not understand me as overlooking the questions arising from gold, silver, and paper. But in the permanent means of exchanging goods we must understand we have one kind which is completely elastic. "It adapts itself to the demand of the moment without visible effort and either by expansion or contraction, as the case may be; and it does this quite irrespective of legislative purpose or guidance." And in the discussion on an elastic currency we must remember that schemes for an elastic bank note circulation, while highly desirable, concern but one of the forms of bank liability used as a medium of exchange, and not that form which is most efficient and to-day most largely used.

**Tampering with the Standard.**

But all these vast exchanges, as we have seen, are drawn in terms of money, even if money is never used. They are not "based" on coin, but merely expressed in terms of coin. They are really liquidated by other goods which are also expressed in terms of coin. But that makes the standard of enormous importance, and a cause of danger, if it is ever tampered with. To question the standard in terms of which all contracts and transactions are based, is like shaking the foundations of a house by an earthquake. Tampering with the standard since 1878 finally brought on the panic of 1893. A group of monetary fanatics got a lever in the shape of legislation under the financial system of the United States and raised the very walls of the edifice. As they gleefully teetered on the edge of their financial lever they seemed to enjoy the agony of innocent citizens overwhelmed by the ruin. This thing should be made impossible. The stability of our standard should be absolutely and entirely taken out of politics. Let recommendations come only from the wisest possible body of non-
partisan experts. Why have they had no monetary issues in English politics since the Bank Act of 1844? Because the currency is made to work automatically and the standard is never questioned.

[Professor Laughlin here referred to a large chart showing the history of the payments for customs into the New York Sub-Treasury since 1884. Two great periods of danger were shown, one from 1884 to 1886, and another from 1889 to the present time. From 1886 to 1890 there existed a normal period of confidence when gold payments into the Treasury were large; but since then the Government has been practically cut off from its supplies of gold, and to-day no gold seems to come into the Treasury in that way. Instead of gold, silver and paper money are paid in. The situation since 1890 is a critical one, and we have not yet emerged from it.]

The relation of the Government to the currency should be confined to preserving the inviolability of the standard. Anything less than that, however, is criminal and destructive of the safe prosecution of industrial pursuits. Now, that is not a mere formula in words. Translated into facts that means financial confusion and uncertainty and inevitable panics. The tampering with the standard brought us the panic of 1893 and losses of hundreds of millions of dollars and prostrated all business. That is bad monetary science expressed in ruin. If you can afford to have such business depressions come upon us as we had last year, go on as you have done in the past and let the fools go on managing the monetary policy of this country. Our currency is deplorably weak and unsound, always ready to let us through the thin ice into dangerous holes below. Think of over $1,100,000,000 of currency standing poised uneasily on a meagre $60,000,000 of gold! It is not merely bad business policy, it is simply outrageous folly to let it go on in this way. Do you wonder that the American people distrust the existing situation, and have actually ceased to furnish the Government with its wonted supplies of gold in payments to the Treasury? Why have we ceased to pay in gold to the Treasury and are pushing in silver currency and paper money? The facts speak for themselves louder than words. What are you going to do about it?

NEED OF REFORM.

We have our "greenbacks," or United States notes of $246,000,000, for the redemption of which the $100,000,000 reserve has dwindled to $80,000,000. Then the $267,000,000 of national bank notes redeemable in legal tender money eventually, depend upon the same reserve. This feeble little reserve had nearly had the life smothered out of it by the accumulating pile of burdens heaped upon it, and then we added the additional load of maintaining at par the $564,000,000 of silver currency. Certainly the day has come when we must rise as a country and demand a different treatment of our monetary problems. How shall we do it?

1. Our greenbacks are fixed in amount incapable of expansion or contraction. They were never originally intended as a permanent part of our currency; and December 18, 1865, Congress by resolution cordially approved of Secretary McCullough's plan for withdrawing them. 2. Our national bank notes were the result of an original scheme to sell United States bonds; and the issue of these notes depends on the price of Government bonds, which must soon be paid off, so that the issue is not based on any relation to the needs of the country for a medium of exchange. The notes might be soundly based, as in Germany, "on those general securities and commercial obligations of short date which are found sufficient to guard the credit of a bank with its own customers and the public," which is the essence of the "Baltimore plan." But the present system cannot long go on. 3. And why should we have several kinds of silver currency differing in purchasing power? We can maintain existing silver at par, but we must treat the Treasury as we treat any business institution. We cannot expect to keep out of bankruptcy unless we allow the Treasury to get accommodation by sale of bonds to meet its liabilities and maintain its standard of payment intact in great emergencies. Above all we must maintain our standard intact. And, then, in addition to that, we must have some system by which the currency will work automatically. No legislation or convention of bankers can determine that the people of the United States shall use a certain amount of notes for the arrangement of their exchanges. And the United
States Treasury, moreover, ought never to go into the banking business.

Reasons for a Monetary Commission.

We know the questions are intricate and involved. They touch our inmost commercial life, and our financial and trade relations with foreign countries are in jeopardy. Our standard of payments is today so much mistrusted by European investors that American securities are practically unsaleable in the markets of Europe, and consequently fewer mines, fewer factories are supported throughout our country.

Is not the course to be pursued perfectly plain to every practical-business mind? There can be no doubt of it. We are not committed to any particular plan. We wish only such an arrangement that competent and experienced financial knowledge shall be brought to bear on our situation, and that at once. That is why we believe a non-partisan monetary commission should be created to make a study of our whole confusing system of circulation, show its historical origin, point out its defects and merits, hear all possible suggestions and plans, summon the most capable persons to advise them, and make a final recommendation which would remove confusion, simplify our currency, and introduce stability founded on plain business principles of solvency. Such a commission of high character, non-partisan, scientific, and practical, would command a support for its recommendations which could not be easily thwarted by interested persons or monetary cranks.

Such a method has been adopted by other countries as a matter of course. They know that monetary subjects need penetrating, scientific study, and commissions are made up of the best brains and experience of the respective countries in order to give the material for Legislatures to act upon. Men immersed in business or in active politics cannot possibly give the time and attention needed for such great tasks.

In France, in 1869, a monetary commission was assembled from the Chambers of Commerce and Receivers-General to deal with the standard, and voted 108 to 34 for a single gold standard. This was in opposition to the wishes of the Bank of France and the great capitalists. Their report met with favorable reception, and in 1870 another commission appointed by the Minister of Finance ratified this proposition by a vote of 17 to 6. And had the Franco-Prussian war not allowed Germany the start, France would to-day have had a gold circulation.

In Austria-Hungary a special commission was appointed to report on the “Bills for Regulating the Standard of Value,” and the report, probably prepared by Dr. Inama Sternegger, was a searching study of the situation, viewed historically and practically. This report led to the acts of 1892, by which Austria-Hungary took the step in favor of gold standard, which really stimulated the latter action of India. Here again legislation was preceded by exhaustive investigation and was freed from the haphazard decisions of interested private parties.

Not to multiply instances from Germany, Italy, and Great Britain, which are many, allow me to mention one or two conspicuous cases of commissions. Probably Great Britain has carried out this method most successfully and created a very high standard of traditions for such commissions. The strongest men in the country have been selected, and the reports of these commissions contain the very best statistics, the most trustworthy statements, and the coinage and monetary experiments of all the countries in the world. They make the “blue books” treasures of valuable information. I might mention the report of 1876 on the “Depreciation of Silver;” the report of the “Royal Commission on the Depression of Trade and Industry,” in 1886; the very extensive work of the “Royal Commission on Gold and Silver” in 1886-1888; and lastly the admirable work of the “India Currency Commission,” headed by Lord Herschell, Lord High Chancellor of Great Britain. On commissions like these we find such distinguished men as A. J. Balfour, Joseph Chamberlain, Mr. Fremantle (Master of the Mint), Sir John Lubbock, D. M. Barbour (Financial Secretary to the Government of India), Lord Iddesleigh, Lord Dunraven, and R. H. Inglis Palgrave.

This Indian Currency Commission, for example, was at work before the recent Brussels conference and its conclusions gave the English ministry the facts and recommendations upon which the free
coinage of silver was suspended June 26, 1838, in India. That is, the
careful examination by trained men gave the administration the ma-
terials and reasons for action which has profoundly modified the
monetary history of recent times. Nor are these commissions made
up of men committed to any one view, for it has been the policy to
have both sides of any controversy represented. When men like
Lord Herschell, Leonard Courtney, and Sir T. H. Farrer, representing
differing views on currency topics, study a practical situation and
then agree in recommending definite plans, the general public may
know there must be sound reason for the recommendations.

American Plan of Procedure.

Now, is it not about time that we go to work in a businesslike
way, as other countries have done, and have a monetary commission
for once of such a make-up that it will do its work in an unpartisan
way and command general respect? Or are we so blind, so inert,
that we must have more panics like that of last year before we can
get stirred up? I assure you that it does not pay. Why should we
pay hundreds of millions of dollars in losses by panics for our les-
sions, when other countries go to work seriously to study their condi-
tions and currency and try to remedy them in an intelligent fashion?
In the United States we act as if these things were not important
even enough to receive attention, and yet we are being constantly injured
to enormous amounts.

The practice of this country in the past has not been to make use of
non-partisan commissions. Political parties have made intricate
financial questions foot-balls for party contests; they cared not for the
solution of the questions, but, by maneuvering behind those ques-
tions, that they might advance partisan success. There is no Repub-
lican or Democratic monetary science, any more than there is Repub-
lican or Democratic hay or cabbages. Instead of investigating and
then settling a business question like the currency on its merits, as
we would a private business matter, we arrange so that currency
questions, involving hundreds of millions of dollars, shall be settled
by the men who can yell the longest and loudest, or by the simpler
primitive way of counting noses. The only difficulty with such a

plan is that the yell or the possession of a nose is not indubitable
proof of capacity to solve a monetary problem for 65,000,000 of wide-
awake Americans living in a land of boundless resources and capable
of splendid development in the future.

Lyman J. Gage.

In speaking upon the subject of our money system one must be
aware that in whatever he may say he will excite the hostile criticism
and draw forth bitter invective from some one or more of the various
factions who are seeking to establish on new and experimental founda-
tions our much disturbed financial structure.

Through our heterogeneous system the public mind has seem-
ingly lost the power to discriminate between real things and the
shadows or signs of things. It is necessary that disguises be pulled
aside and that real facts appear.

There is, in truth, only one real money, viz.: metallic coin. It
may be composed of gold or silver. It might be of something else,
but it is not. Greenbacks, treasury notes, and national bank notes, are
but promises to pay. In the nature of things they can be nothing more.
They pass as money, perform the functions of money, often more con-
veniently than money itself. Because of this confusion comes, and we
are lead astray. Seeing that the greenback is uttered by the Govern-
ment; that it has, by the legal tender quality imparted to it, the power
to pay debts, and that it circulates with all the power of money, dis-
 crimination ceases—we call it money—and the idea that Government
may create money by its sanction or fiat becomes rooted in the mind.
The distinctions just pointed out are, however, fundamental distinc-
tions. They should be taught in the schools. They are simple, easy
to be understood even by a child.

Credit Balance in a Solvent Bank.

We admit that on many occasions paper money, whether green-
backs, treasury notes or national bank notes, is more to be desired
than gold. Yet, more to be desired than either, as proved by the daily
conduct of men, is a credit balance in a solvent bank. For, to secure
this better form of good, people voluntarily give to the banker these promises to pay, yea, even gold itself, for a credit to an equal sum upon his books. With an entry upon their pass-book as evidence of the transaction, they claim to have "money in the bank." In popular language, the claim is well enough, but correctly speaking, it is positively untrue. They have parted with their money, if money they had; it belongs to the banker, it is no longer theirs.

The consideration they have received is an agreement from the banker to meet their requisitions upon him from time to time. If the banker is faithful to his obligations they have nothing to bargain for all these things—greenbacks, treasury notes, national bank notes, and, to use the popular language, money in bank—are in their nature and essence one, viz.: they are forms of credit. Their value, each and all alike, lies in the ability of the owner to convert them at last into the only real form of money now existent—metallic coin. And, to push the question a little further, the only value of the metallic coin lies, not in the coin as a coin, but in the power of the metal the coin contains to exchange for other things.

It should here be noted, that while our silver dollar is real money, its power to exchange for other things is more than doubled by another and artificial value imparted to it through the law, which gives it power equal to the dollar in gold to pay customs dues. Having an equal value in this direction, and the quantity being limited, it has equal value in all directions, but the difference between the metallic value of the silver dollar and this arbitrary value lies in the realm of credit. What I have so far said lies at the foundation of the subject and must be first understood.

USES OF MEDIUMS OF EXCHANGE.

We have now current in the United States available in the purchase and sale of commodities and for the payment of labor services the following agencies:
First—Gold coin, silver coin—real money.
Next—Greenbacks, treasury notes, national bank notes and bank checks. The last four to be classified together as forms of credit.

Their respective legal relationships to real money, however, are not alike. The national bank note and the bank check may both be satisfied by the tender of greenbacks or treasury notes, while the last two are redeemed only in coin or in payment of public dues.

In passing, it may be well to note the relative use of these various agencies in the practical operations of commerce and trade. No better place to determine this can be found than the counter of a bank, and the following statement of the amount of each received by a bank in this city on a recent day, will indicate their relative importance in that direction;

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold coin</td>
<td>$9,585</td>
</tr>
<tr>
<td>Silver coin</td>
<td>10,826</td>
</tr>
<tr>
<td>Gold certificates</td>
<td>4,045</td>
</tr>
<tr>
<td>Silver certificates</td>
<td>98,129</td>
</tr>
<tr>
<td>Legal tender notes and greenbacks</td>
<td>82,172</td>
</tr>
<tr>
<td>Treasury notes</td>
<td>25,498</td>
</tr>
<tr>
<td>National bank notes</td>
<td>34,993</td>
</tr>
<tr>
<td><strong>Total cash</strong></td>
<td><strong>$269,516</strong></td>
</tr>
<tr>
<td>Checks, drafts, bills of exchange</td>
<td><strong>$5,386,445</strong></td>
</tr>
</tbody>
</table>

Percentage of cash to total credits, five per cent.
The lesson to be drawn from these figures is this:
Much the larger part of all our commercial exchanges are carried on by bank checks or other instruments of private credit. These instruments all relate to a certain form of money, in place of which they for the moment stand. If uncertainty intervenes, as to what this related thing—this money—is, or is to be, distrust and confusion enter in. The mighty agency of personal credit is shaken. Commercial exchanges fall off, trade languishes, and industry declines.

Having summarized the various forms of credit obligations operating as currency, let us look a little at the principle on which they are respectively based.

POWER TO REDEEM GREENBACKS.

The power to redeem greenbacks, $346,000,000 in quantity, rests:
1. Upon $66,000,000 of gold, or thereabouts, in the treasury vaults.
3. Upon the ability and readiness of the Government to borrow money as occasion may require.

3. Upon the power of the Government to collect money by taxation.

The treasury notes rest, first, upon the promise of the Government, supported by a quantity of silver, part coined, part bullion, purchased since 1860, in payment for which these notes were issued. It is to be noted that the market value of the silver so bought is some $50,000,000 less than the purchase cost, and for this difference the power of the Government to borrow or tax must be relied on.

The national bank note rests:

First—Upon the financial responsibility of the bank issuing it.

Second—Upon the security of the United States bonds with the Treasury Department, ten per cent. in excess of the face of all notes issued.

Third—Upon the Government guaranty.

This as to the relative merit of each in point of responsibility.

Next, let us look at the plan, method and reason of putting these various forms of credit into circulation.

The greenback was issued to pay debts, not to acquire value; or, if value was received, such value was either consumed or converted into value not available in the market. The greenback paid soldiers and Government employees; it bought powder and munitions of war. The existence of a greenback is the evidence of a debt not paid. It is a lien upon the future.

A national bank note, on the contrary, is the evidence of some existing value which lies somewhere as collateral for its redemption. To transfer such values is the only ordinary and proper occasion which calls for their issue. The volume in which they will appear marks the rise in prices or an increasing quantity of existing things. Like the bank check, they will be in active service when trade and commerce are active. Thus they enjoy the principle of elasticity wholly lacking in any possible form of direct Government issue. The method of their retirement is wholly different and subjects the trade and commerce of the country to less dangerous strain.

Exports of Gold.

To illustrate: We have lately witnessed a movement of gold to the other side of the Atlantic. We need not inquire the cause of that movement. When it began, the treasury was possessed of more than $100,000,000 of gold. To meet the movement those concerned found the easiest means in presenting greenbacks and treasury notes for redemption. In the course of this business $50,000,000 in bonds were sold by the Treasury Department, but, notwithstanding this addition to its gold stock, its supply of gold was reduced to the danger point of $50,000,000 before the movement ceased.

Now, it is to be specially noticed that the transfer of the first $50,000,000 had no direct bearing upon trade or commerce whatever. The reserve stock of gold was dead and lifeless in the treasury while there; its removal out of the country was in itself quite harmless. But it had another—an appalling effect. It raised doubts and excited fears as to the ability of the Government to continue the redemption of its issues. The substantial refusal by Congress to clothe the Secretary with the necessary discretionary power to borrow money, intensified the fear at home, excited injurious suspicions abroad, and further stimulated the adverse comment. With the peculiar luck which has so long attended the American people the movement ceased in time to avoid a great calamity. We cannot, however, count upon immunity from a repetition of the same movement, possibly more violent in form; more destructive in effect.

Observe now the difference in effect of an outward movement of coin, did the paper currency consist wholly of bank issues. To obtain the coin for such a movement bank notes would be presented for redemption, as the greenbacks have been. If the coin demand proved continuous the banks would recoup themselves by calling in maturing loans. In short, a contraction in general credits would occur. Under its influences prices would fall off until the foreign creditors would find it more advantageous to take commodities than to take coin. Thus the movement would be self-curative. The strain of this process would, under ordinary conditions, be light, because it would be spread over the country wherever banks of issue existed.
EFFECT OF SILVER CERTIFICATES.

Until now I have not referred to silver certificates, which form nearly one-fifth of the circulating medium of exchange in the United States, nor is it necessary to say much. By their use a dangerous volume of inferior money has found an abnormal use. They are the most perplexing feature in the much involved problem of our national finances.

There is no reason why the Government should act as warehousemen for either gold or silver. Such a function is outside its proper limit of action. But we are faced by the condition, and it is the "bête noire" of the treasury. The enormous amount of $500,000,000 of silver, represented by $388,000,000 in silver certificates, added to the $150,000,000 purchased by the Government under the Sherman act, constitutes a standing menace to every business interest.

Our whole monetary system is the resultant of make-shift legislation and unscientific compromises. It is time that reform began. I do not assume to offer more final remedies. In my own opinion the greenbacks should be permanently retired. The silver purchased under the Sherman act should be gradually sold and the treasury notes redeemed and canceled. Some well-guarded system of bank note circulation, broader and more elastic than the present national bank act provides, should be inaugurated. Such bank notes should be redeemable at a central place and be redeemable in gold only.

PRESENT SYSTEM DEFECTS.

To sum up, the defects of our present currency system are: (1) A confusing heterogeneity which needs simplification; (2) the greenback controverts the principle of paper money—viz: that every note injected into the commercial system should represent an existing commercial value; (3) the treasury note is a standing evidence of a foolish operation, the creation of a debt for the purchase on a falling market of a commodity for which the purchaser has no use—it lies open to the just charge of being both idiotic and immoral; (4) the national bank note nearly conforms to the true principle of paper money, but the unreasonable requirements for security paralyzes its efficiency and operates to destroy its elasticity; (5) the silver certificate encourages the use of silver to a larger extent than consists with the safe preservation of that metal on a parity with gold.

Would a national commission help to promote reform? There is reason to hope that it would be of great service in that direction. Such a commission, if rightly selected, would throw a flood of light upon these involved questions. The information it might gather would be of immense value to all our people, and would guide us to wise legislation.

Emotion and sentiment are not safe guides in matters of science. A clear apprehension of true principles will lead to correct action.

HON. A. B. HEPBURN.

The currency of the country, always a subject of interest and importance, is especially so at this time because of the differences which obtain in the minds of the people in regard to what the currency should be and under what authority it should be issued.

Currency, as applied to the money of a country, was aptly described by Samuel J. Tilden as a "continuous succession of uses."

First, let us see to what extent money enters into the business transactions of the country. Absolutely reliable data, obtained from the national banks at widely separated periods, by several comptrollers of the currency, showing in detail the actual business of the banks, as it was transacted for the day over their counters, demonstrates that ninety-two per cent. of all the business that passes through the banks is consummated by means of credit, witnessed by bookkeeping. Economy and convenience have induced a minimum use of money and a maximum use of credit. The amount of domestic exchange—checks and drafts—drawn upon each other by the national banks during the year 1892 was $12,999,939,950, and with other banks and bankers included the aggregate would approximate $30,000,000,000. The total exchanges for the fifty-seven clearing-house cities in 1892 were $81,917,882,067, while the balances, which alone were paid in cash, were $4,881,777,889—about eight per cent.
EXCHANGES AND BALANCES IN NEW YORK.

The average daily exchanges in the city of New York for 1892 were $118,567,782, and the average balances paid in cash were $6,083,335. Only fifteen minutes are allowed at the clearing-house to complete the exchanges, and about twelve minutes are usually consumed. In this modicum of time and with this minimum of money is this vast volume of business consummated. I give these practical illustrations not to convey information, but to emphasize the limited office which actual money performs in the barter and trade of our country.

We have in circulation $1,655,038,982 of currency that serves the remaining eight per cent. of business. This currency is created and regulated by the Government, and it is this to which I invite your attention.

The associate banks of the city of Baltimore recently formulated a currency plan, which may be briefly summarized as follows: It proposed to amend the national bank act so as no longer to require bonds as security for circulation, and allow banks to issue circulation equal to fifty per cent. of their paid-up unimpaired capital. All the notes of failed banks to be redeemed by the Government, as under present law. A guarantee, or safety fund, equal to five per cent. of the outstanding circulation, to be accumulated and maintained by gradual taxation upon such circulation. From this fund the Government is to redeem notes of failed banks. The Government also retains a prior lien upon the assets of failed banks, including stockholders' liability, as now provided by law, in order to replenish this safety fund and protect itself against possible loss. Practically the only change is to substitute a guarantee fund for Government bonds as security for circulation.

FUNCTIONS OF GOVERNMENT.

It has been truly said that that country is governed best which is governed least; which, being interpreted, means that men should be protected in their lives, liberties and property rights with as little paternalism on the part of the Government as possible.

In all civilized nations there are certain recognized functions of government too great or too important to be intrusted to individual enterprise. A government must not only afford protection at home, but must follow its citizens and their commerce in their world-wide circuit with the agis of their country's flag. Armies and navies are the instrumentalities.

Government must provide courts to interpret laws, determine and enforce the rights of citizens, and punish those who offend against the body politic. It is equally a duty of government to provide highways for the convenience of travel and interchange of commodities, also the transmission of intelligence by mail or wire.

Experience proves, however, that this function of government may be best exercised by enlisting private enterprise through corporations invested with the right of eminent domain but subject to governmental regulations. As a consequence railways transport person, property and the mails, while telegraph and telephone companies, with their quicker service, keep abreast of the spirit of the age.

I am aware that a portion of our people demand that all these properties shall be owned and operated by the Government. I think, however, that the very great majority of people would object to having the hundreds of thousands employed by these great arteries of commerce placed upon the Government payroll, where they would be expected to vote as they worked. More efficient or more economical management would hardly follow such a change.

USES OF MONEY.

It is a function of a government to provide its citizens with a currency—money. Money is the ingredient that assimilates all business transactions, reduces all barter to a common unit and permits set-off and payment of balances.

Here, too, experience shows that this function of government can best be exercised conjointly with private enterprise—the banks. Paternalism in government should be reduced to a minimum. The proper money function of the Government is set forth in the constitu-
tion. It is given the power to coin money and regulate the value thereof, a power withheld from the States, and there, I believe, its function of creating money should end.

All paper money, under proper regulations, should be issued by the banks. We have witnessed the evolution of the greenback from the time it was worth 33 cents in gold. July 11, 1864, when gold commanded a premium of $2.85, until now it has become the open sesame that unlocks the gold vaults of the treasury. We are threatened with the devolution of the same greenback to the commercial value of the silver dollar.

Sound money advocates, relying upon the impregnability of the position until aroused from their lethargy by the dangers that culminated in the panic of 1863, were for a period of years quiescent. On the other hand, the champions of silver, with mines to work and a commodity to market, and the representatives of debtor communities, have sounded and resounded the demands of increasing trade and growing population for more money. They struck a responsive chord in the honest conviction of many, in the personal want of more, a personal want that, somehow, imagines that with a plethora of money more would fall to their portion, without pausing to think that none could fall to their portion except they have an equivalent to exchange in form of labor or property of some kind.

The vast majority of our voters are divided into two great political parties. These parties contend for victory at the polls by catering to the independents, the cliques and the "isms" that compose the balance of the voters.

**Activity of Silver Interests.**

The silver interests have so shrewdly utilized this condition that they have made party platforms, dictated legislation and induced a general conviction that there can be no increase of currency except through some form of silver legislation.

With the Republicans of California and the Democrats of Ohio demanding free coinage of silver, at the ratio of 16 to 1, and varying shades of the same sentiment finding public and party expression in different localities, it is imperative that the friends of sound money resolve upon and advocate the principles upon which they believe the currency of the country should be founded.

The effective way to refute a bad theory is to advance a sound one. Let us examine our present currency. We have now in use gold and silver certificates representing actual coin on deposit. We have greenbacks, and certificates representing greenbacks, on deposit. We have silver warehouse receipts, issued under act of July 14, 1890, in use as money, and also national bank notes.

Gold certificates are like Bank of England notes, which, with the exception of £17,200,000, represent actual gold on deposit.

Silver certificates are the paper proxy for so much coin in the vaults of the treasury, and which, notwithstanding it was the "dollar of our daddies," could not be coaxed into circulation any other way.

The greenback is a non-interest bearing, forced loan, whose constitutionality could only have been sustained as a war measure, and which loan, it is fair to assume, will some time be paid.

The notes issued under the act of 1860, the Sherman law, were given in payment for a commodity which the Government did not want, and for no other purpose than to placate the silver interests and furnish a note to circulate as money. They are better than the Bland dollar (act of February 28, 1878) because at the time of issue they represented a gold dollar's worth of silver. The Bland dollar never did.

**Silver Coinage Since 1878.**

In response to this demand for more money, which was supplied through silver legislation, we have coined since 1878 about four hundred and twenty-five millions of dollars, which we have forced into circulation, either directly or through their paper representatives; besides about one hundred and fifty millions of dollars of Sherman notes—so called. The bullion value of that dollar to-day is $0.4944.
The severest reflection upon our silver coin is the fact that a counterfeiter can reproduce the genuine, both as to quality and intrinsic worth, as well as to form and design, so that the mint bureau could not detect the difference, and still make more than fifty per cent. profit by so doing. The following table, furnished by the mint bureau, October 1, 1894, is instructive:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total coinage of silver dollars under act of Feb. 28, 1878</td>
<td>$25,790,281</td>
</tr>
<tr>
<td>Total cost of silver bullion used in such coinage</td>
<td>$20,270,000</td>
</tr>
<tr>
<td>Seigniorage, or apparent profit</td>
<td>$5,520,281</td>
</tr>
<tr>
<td>Bullion value of silver used in such coinage, at present market price</td>
<td>$9,587,531</td>
</tr>
<tr>
<td>Difference between actual cost and bullion value at present market price</td>
<td>$12,807,912</td>
</tr>
<tr>
<td>Bullion purchased under act of July 14, 1890, cost</td>
<td>$15,591,000</td>
</tr>
<tr>
<td>Market value of such bullion at present market price</td>
<td>$10,792,000</td>
</tr>
<tr>
<td>Depreciation value in same</td>
<td>$4,868,995</td>
</tr>
</tbody>
</table>

From these statistics it appears that, in addition to the more serious damage to general business and our credit as a nation, our silver legislation represents a loss to the people of this country, from depreciation in value, of $170,170,937. That round sum represents the price of our homage to silver. It is in sharp contrast to the $75,000,000 paid into the treasury by national banks as a tax on circulation and more than $70,000,000 as a tax on deposits.

**Creating Wealth by Legislation.**

Of all the time-worn fallacies there is none more venerable or vulnerable than the omnipresent attempt to create wealth or pay debts by legislation. The alchemists of old, who sought to turn other metals into gold, never paused to reflect that success in their efforts would make gold no more valuable than the baser metals thus subject to their power.

The sense of commercial honor from citizen up to the Government which forbids the repudiation of one's just obligations, is the distinguishing feature of our present civilization.

The free coinage of silver at the ratio of sixteen silver dollars to one gold dollar of present weight and fineness means a dollar commercially worth less than 50 cents, but, by the fiat of the Government, made to pass for 100 cents.

It means that the seigniorage or apparent coinage profit—i.e., the difference between the cost of the silver bullion in open market and the face value of the money into which it is coined—shall hereafter inure to the benefit of individuals and not the Government. It means an individual may take $100 worth of silver bullion to the mint and, coinage free, obtain silver dollars with which to pay $200 worth of debt, and would thus mean the repudiation of fifty per cent. of existing indebtedness.

The sagacious instinct of trade would correct this wrong as to future contracts by doubling the price of commodities. It means an inflation of prices without an increase of values. It means a silver basis—silver monometalism. It means the $600,000,000 of gold now in circulation would go to a premium, would cease to circulate as money, would become a commodity simply, whether coined or uncoined.

It means a contraction of our currency equal to the amount of gold which ceased to circulate as money. It means a general unsettling of values, the demoralization of business, a great injustice to present creditors.

**Effect on Business Interests.**

Just what the effect would be upon business interests for each business to have one-half of its bills payable and one-half of its bills receivable virtually repudiated is a matter for speculation, and I trust the good sense and honesty of the country will forever leave it to the realms of speculation.

Both the Bland law and the Sherman law injected into circulation a fixed amount of money, monthly, without regard to the wants of commerce. However great the demands of trade, the Government could not increase such amount one jot or tittle. And since the Government can only put out money in payment of debt, or in exchange for value, this criticism of absolute want of elasticity must apply to
any governmental currency. Our present bank note currency possesses all the good qualities except elasticity. No currency secured by stock or bonds can possess that quality. Now, in order to issue $60,000 circulation a bank must pay $114,000 for bonds and deposit a redemption fund of $4,500. And instead of increasing their means for helping their customers and the public by the transaction, they lock up $19,500 and diminish their power to aid the public by that amount.

All propositions for bond security contemplate maintaining the value of such at least ten per cent. In excess of the currency issued, and the power of the bank taking out such circulation to aid the public is by such percentage diminished. They must invest more money in securities than they are permitted to issue in circulation. A currency to be elastic must be issued against credit. In no other way can currency be elastic. In no other way can it meet the wants of commerce. From the very nature of things the Government cannot give such a currency.

Upon the earnest recommendation of Secretary Chase, re-enforced by President Lincoln in his message in 1862, the national bank act was passed early in 1865. It was urged as a measure of currency reform, it is true, but the principal argument and the one which secured its passage was the need of the Government for a market for its bonds in order to raise necessary funds for the prosecution of the war, and which bonds the banks must purchase as a basis for circulation. But little was accomplished, however, until the imposition of the ten per cent. tax upon State bank circulation, on March 3, 1865. Immediately thereafter State banks rapidly increased, became large purchasers and permanent holders of Government bonds. The bonds were absorbed from the market, their price appreciated and the Government's credit was strengthened. The low price of bonds, the high rate of interest they bore and consequent profit upon circulation brought success, although the framers of the act had no thought to formulate a currency system for a great nation.

Thirty years after the war, with bonds scarce and yielding very low interest, with no profits upon circulation, with population more than doubled, wealth, resources and volume of business increased in much greater ratio, we are confronted with this provision of law, as to circulation, unchanged.

An elastic currency is needed not alone in times of distrust, but in course of ordinary business. The harvesting of the cotton crop calls for an extraordinary amount of money in the cotton belt. Currency is brought from money centers to supply this need. Currency in that section is expanding.

Under the system proposed by the Baltimore bankers the banks in the cotton region could largely supply this local demand by an increased currency issue, and to such extent save the expense of expressing money from money centers. The cotton crop having been moved the demand for money lessens, and by the inexorable law of supply and demand the currency in that section contracts, flows back to money centers instead of flowing into the vaults of local banks to await the needs of trade.

Congestion and Stringency Prevented.

Such a currency would tend to prevent the congestion of money at money centers, with low rates of interest and consequent speculation, and also tend to prevent the stringency in rural districts and high rates of interest.

The business of modern banking is done with other people's money, the want of one section of the country, or of one depositor, being supplied from the surplus of another, and this expansion and contraction is going on all the time in different sections of the country.

The proposed law, outlined by the bankers of Baltimore, follows closely the Canadian law, with additional limitations and safeguards. The Canadian law embodies good features from the national bank act and the British and Scottish currency laws. It provides for the issuing of currency up to par of paid in, unimpaired capital. The Baltimore plan allows only fifty per cent, and in an emergency seventy-five per cent. The Canadian currency is redeemed out of a five per cent. guarantee fund, contributed and maintained by the banks. The Gov-
ernment assumes no responsibility beyond the application of this guarantee fund. There has been no loss to bill-holders, and the law has given satisfaction. Canada has been peculiarly free from panics for many years and has bad no currency famine. Thus, the safety bond principle is approved by actual experience.

As heretofore stated, the Baltimore plan requires the Government, as now, to redeem all notes of failed banks and provides a five per cent. guarantee fund by tax upon circulation to reimburse and protect the Government for such redemption, in addition to a first lien upon a failed bank's assets, which the existing law provides.

**SAFETY FUND PRINCIPLE.**

Now let us examine our own experience since the creation of the national banking system as bearing upon the safety fund principle. I am indebted to Comptroller Eckels for the following figures:

| Average annual circulation of national banks, 1864 to 1894 | $282,201,258 |
| Outstanding circulation of failed national banks | 17,519,541 |
| Cost to Treasury on account of national banks | $7,610,169 |
| Additional estimated cost | 7,782,914 |
| Total cost | $15,393,083 |

In regard to which he says, in reply to my letter:

These figures verify your conclusions to the effect that a tax on outstanding circulation of one-fifth of one per cent. would have repaid the cost of the national banks to the general Government, and also that a tax of one-fourth of one per cent. would have redeemed the notes of all failed national banks—indeed, a tax of two-fifths of one per cent. would have been ample to meet both the cost of that system and the redemption of the notes of failed national banks.

**JAMES H. ECKELS, Comptroller.**

If an annual tax of two-fifths of one per cent. would suffice to defray all expense and redeem every note of every failed bank for the past thirty-one years, a five per cent. guarantee fund maintained by the banks is certainly ample to protect the Government against loss in guaranteeing the redemption of notes. But as further evidence let me read the following letter from Comptroller Eckels:

**SEPTEMBER 27, 1894.**—In further answer to your letter of September 13, you are respectfully advised that the loss to the general Government on account of circulation of failed national banks, up to January 1, 1894, had there been no bond deposit, would have been $1,139,233. Of this amount $638,247 represents the loss by banks whose trusts are still open and may pay further dividends, thus reducing the amount last named.

The tables showing the full amount of dividends paid by all failed national banks are not yet completed, but an examination of the accounts of each trust develops the fact that there would have been no loss on circulation other than above indicated. This statement applies to all failures down to January 1, 1894.

**JAMES H. ECKELS, Comptroller.**

**CIRCULATION MADE SECURE.**

Under present laws the Government is bound to redeem all notes of failed banks and is given a prior lien upon the assets of the failed banks to reimburse such payment. With this law in force and without bonds to secure circulation, the Government would, during this thirty-one years, have lost not exceeding $1,139,233. An annual tax of three-hundredths of one per cent. upon circulation would have covered this loss. Surely a five per cent. guarantee fund maintained by the banks will make circulation perfectly secure.

The experience of thirty-one years of our nation's history, years replete with many periods of depression, yet withal characterized by marvelous growth in population and unprecedented commercial and financial development, certainly constitutes a safe criterion upon which to base legislation for the future.

I well know that the ante-bellum banking history of the various States of the Union is popularly regarded as a chamber of horrors tenanted only by "red dogs" and "wild cats," yet that history may be profitably studied, and excellent lessons derived therefrom.
The State Bank of Indiana, chartered in 1834, was a very successful institution. It consisted of many branches under a central board of control. All business was transacted by the branches. The assets and earnings of each branch belonged to the stockholders of that branch exclusively, but each branch was liable for the debts of every other branch. The assets of each was a guarantee for the payment of the debts of all. It possessed the usual power of banking, including the issue of circulating notes. The amount of discounts was limited to two and a half times the capital stock. Loans upon real estate were forbidden. They could only acquire real estate in order to protect themselves against loss upon debts previously made. Provision was made for the minority representation of stockholders in the board of directors. They were forbidden to lend money on their own stock. Loans to officers and directors were restricted. Loans exceeding $500 required a five-seventh vote of the directors, and the names of the directors voting for the loan were required to be entered in the minutes. Directors were made liable for losses resulting from infraction of the law.

This is one of the few banks that did not suspend specie payments in the panic of 1857. It paid dividends of twelve to fourteen per cent. per annum and nearly 200 to stockholders, when the bank was finally wound up at the expiration of its charter.

The State Bank of Ohio, created in 1845, was largely modeled upon that of Indiana. The distinctive difference was an additional solicitude for the protection of the note-holders. Each branch was liable for the circulating notes, but not the general debt of the other branches, and each branch was required to deposit with the central board of control ten per cent. of the amount of its circulating notes, either in specie or in bonds of the State of Ohio, or the United States, as a safety fund for the protection of the note-holders. This bank had thirty-six branches and was very successful.

The State of Louisiana in 1842 passed a banking law of a very exemplary character. It required a specie reserve of thirty-three and one-third per cent. of its liabilities to the public; forbade the taking of commercial paper having more than ninety days to run; forbade renewals of paper at maturity. If paper was not paid at maturity the account was closed and the name of the delinquent sent to the other banks. All the banks were examined by the board of State officers, quarterly or oftener. Bank directors were individually liable for all loans or investments in violation of law, unless made against their protest. No bank could have less than fifty stockholders, owning at least thirty shares each. Any director going out of the State for more than thirty days, or absenting himself from more than five successive meetings, was deemed to have resigned. No bank could put out any notes but its own. All banks settled their balances in specie every Saturday, under penalty of being put in liquidation. No bank could purchase its own shares, nor loan upon the same more than thirty per cent. of the market value thereof. They were allowed to loan upon mortgage security to an extent not exceeding the bank's capital. No pledged security for circulating notes was required, and no limit put upon the amount which might be issued.

Louisiana banks under this law were eminently successful, and this law was enforced until the capture of the city of New Orleans during the late Civil war.

Massachusetts' Old Banking Law.

The Massachusetts banking law was very similar to that of Louisiana, and contained most of its restrictive provisions. A specie reserve of fifteen per cent. was required against circulation and deposits. Gold, whenever paid out, was required to be paid out by weight. The Massachusetts law was very successful in its operation. Its distinguishing feature was the daily redemption of all New England bank notes that reached Boston by means of what is popularly known as the "Suffolk bank system," from the fact that the redemptions were made at that bank.

Bank charters and the privilege of subscribing to bank stock were treated in New York as political patronage and only accorded friends of the party in power. So great did this abuse become that public sentiment forced the passage of a free banking act. Currency
issued by the banks under this act was protected by a safety fund equal to three per cent. of the outstanding circulation. By an accident in legislation this fund was also made applicable to all the debts of a failed bank. For twelve years no safety fund bank failed, but when the crash came, in 1841, this fund was utterly inadequate to discharge all liabilities, but according to the report of Millard Fillmore, who was then Comptroller of the State of New York, the safety fund was ample to have redeemed all the outstanding circulation. Had not this fund been extended so as to apply to all the liabilities of the failed banks, it would have afforded ample protection to stockholders. This is certainly a strong case in point bearing upon the present discussion.

There is not a restriction or a conservative banking principle laid down in the national bank act of to-day, or in the present banking laws of any of our States, that cannot be found in the ante-bellum banking laws of the several States to which I have just called your attention.

**NATIONAL AND STATE BANKS INTERCHANGEABLE.**

Under the present laws State banks may be converted into national banks by conforming to the requirements of the national bank act, in any State of the Union, and, per contra, any national bank may change to the State system. It is of no consequence from what authority a bank receives its charter. It is of the first importance under what by-laws and statute laws it conducts its business. And in respect to the proposed circulation, there can be no objection to a State bank receiving circulation, providing, as a condition precedent, they are required to submit to examinations by the Comptroller of the Currency, make the five reports required annually by him of national banks, keep the same reserves, have the double liability of stockholders, submit to all supervisory regulations, and conform to all requirements so as to place the circulation issued to State banks exactly on a par, with respect to safeguards and security, with circulation issued to national banks. "It were better for them to change into the national system," say you. I think so, but I can see no objection to their receiving circulation, providing that circulation be made national and possess all the safeguards of national bank currency. The dual supervision could do no harm, and might be productive of good results.

The value of a currency depends upon the area or extent of commercial territory in which it will be accepted in satisfaction of debt. Confining its power to a single State and you depreciate its value. The danger that a single State may exploit unsafe currency will compel the scrutiny of all and will police our country with money changers and handicap individuals and commerce with a wholly unnecessary embarrassment. It is not enough that a bill be good within the State and sure of redemption; it must be current throughout the nation.

**ONLY A NATIONAL CURRENCY DESIRED.**

"The business of banking consists in swapping a well-known credit for a less known credit." If the well-known credit be a check or draft, it is used for a special purpose and within business circles. If the well-known credit be in form and semblance of money, a United States citizen is entitled to have it good, as money, throughout the United States. History and experience point the wisdom of a national currency, under national control. Neither reason nor experience, nor convenience, nor public good would justify the creation of local currency.

There are many excellent reasons why our currency should be national wholly apart from the currency itself. Requiring verified reports in prescribed form five times a year of the banks of the country compels efficiency and uniformity of bookkeeping, and is a powerful educator as to system and methods of doing business. It accumulates statistics in one central point, which affords the statesman, the statistician and the people generally, invaluable information; the currency movement of the country, the character of the money held by the banks, the percentage of actual money that enters into business transactions, and the extent to which substitutes for money are employed.

Let us examine the application of this proposed law. There were, October 1, $346,581,016 of greenbacks and $151,599,267 of treas-
ury notes, Sherman law, and $207,584,458 of national bank notes in
circulation and in the treasury: total, $705,554,741 of paper money,
aside from gold and silver certificates. The national banks have in
round numbers $700,000,000 capital. Hence, under the proposed law,
allowing circulation equal to fifty per cent of capital, the banks could
undoubtedly would, if there were a demand for currency, take out
the limit of circulation, an increase of $350,000,000 over the present
amount. The incorporated State banks have $230,000,000 capital, and
should they, by conversion to the national system, or otherwise, take
out circulation, it would add $135,000,000 more. Certainly sufficient
for the immediate future, and, being elastic, there is no danger of
plethora, as it would flow back to the bank of issue whenever redun-
dant. Statistics show that the best State banks, prior to 1861, were
able to keep in circulation an amount of currency equal to less than
fifty per cent of their capital.

Prevention of Contraction.

Should Congress provide at any time for the retirement of the
greenbacks or treasury notes, contraction may be prevented by in-
creasing the percentage of bank note circulation. All statistics and
all experience prove a currency issue equal to par of unimpaired cap-
tal is absolutely safe.

There is more money in the country in 1894 than there was in
1863. Now, money clogs the vaults of our banks and bogs investment,
at a lower rate per annum, than the premium offered one year ago for
a single service, and which failed to lure it from hiding in safes and
vaults.

Any volume of currency may prove inadequate in a panic. Still,
had a law embodying the principles formulated by the Baltimore
bankers obtained in this country in 1863, the national banks could,
under its provisions, have added over $550,000,000 to the currency of
the country, and with such a law a currency famine could hardly have
been possible; the necessity for clearing-house certificates and other
substitutes for money would have been materially lessened, if not
avoided. By means of an extensive correspondence with every con-
siderable place in the country, I obtained statistics which justify the
estimate that, during the currency famine of 1863, there was issued in
clearing-house certificates, to be used in settling balances, certified
checks, certificates of deposit and cashiers’ checks, in round amounts,
intended to pass as money, due bills from manufacturers and other
employers of labor, and also clearing-house certificates in round
amounts—in instances as small as 25 cents—all designed to perform
the function of money, to the amount of $100,000,000. They were
issued against credit and circulated as money upon the credit of the
party issuing the same.

In other words, the want of elasticity in our currency system was
thus partially supplied. The Government was powerless to afford re-
lied. Its currency was as unresponsive to the wants of trade as the
pyramid of Cheops. Some banks borrowed United States bonds from
savings banks and other institutions and took out circulation, but no
bank could buy bonds and take out circulation without aggravating
instead of relieving the money stringency.

Legislation That Is Needed.

We want legislation that will enable the banks to do, under
proper restrictions and wholesome safeguards, what private firms and
manufacturing corporations did do without restriction, except the pos-
sible liability to the ten per cent. tax.

A bank note is not money. It is a substitute for money, a non-
interest bearing obligation of the banks to pay the bearer a certain
amount in legal tender money upon demand.

The Government’s venture in furnishing paper currency has
proved neither profitable nor responsive to the demands of business—
ample reason why this function should be left to the banks. I think
this reasoning will justify the following conclusions:

1. A currency, to serve the demands of business, must be sound
   —no doubt of its redemption.

2. It must be elastic, that it may expand and contract as the tide
   of business ebb and flows.
3. A currency, to serve public and private needs, must be national.
4. A perfectly safe currency can be provided without stocks or bonds as security.
5. No currency can be elastic that is secured by bonds, since the cost of the bonds exceeds the amount of currency that can issue.
6. The experience of the Dominion of Canada, and the statistical history of the national banking system during a period of thirty-one years in this country, show conclusively that the first lien upon a failed bank’s assets, including stockholders’ liability, together with a moderate safety fund, affords ample protection to all holders, and the government that guarantees such notes.

The volume of our currency is at present practically stationary, affected only by specie imports and exports and gradual contraction of bank notes. It will not long remain so. Our people are prone to regard legislation as the panacea for all ills. Shall this subject be left to the politician and the demagogue, or will the business and commercial interests of the country give us a practical solution? Shall we have free coinage of silver at the ratio of sixteen to one, or shall we have a currency law that will conserve and preserve the interest of all?

HON. JAMES H. ECKELS.

In accepting the invitation of the Commercial Club to become its guest I stated to its president that I would not undertake to prepare a formal address, but after listening to the discussions on the part of others of a wider experience in the realm of finance and more extended acquaintance with the science of monetary affairs, I should content myself with some suggestions as to what this club might accomplish in a practical way.

I am confident, after listening to the clear and succinct statements of the gentlemen who have preceded me, the consensus of opinion of all who are present, irrespective of political affiliations, irrespective of the business undertakings in which engaged, is that our currency system as it is now constituted and as it now operates, is sadly deficient.

It is a common statement that its weaknesses flow from the fact that politics have entered so largely into the consideration of those who have enacted our monetary laws. Only in a measure is the statement correct. The difficulty, so far as politics entering into these questions, is not that politics is the cause, but politics is the effect.

ILLUSIVE THEORIES OF THE IGNORANT.

The cause lies deeper. It lies in the fact that imbedded in the minds of so many of our people, is the illusive theory that something can be created out of nothing, and that governments are invested with a power denied to individuals of making that something out of nothing. It lies in the fact that there are so many within the borders of our land who are ignorant of our monetary history. It lies in the fact that there are so many who have not read the history made the experience of either of our own people, or the people of other nations, when dealing with monetary problems. They believe that somehow they are so favored that with them the same causes which produced distress heretofore will not find fruition in the same effects to-day. They only see the effect that by the creation of a cheaper currency somehow they will be enabled to discharge their obligations in a greater measure and at less inconvenience to themselves.

I would not term it dishonesty, because I do not believe that the vast majority of the people who indulge in such theories are individually dishonest, but I do charge it to the fact that they have not studied the history of monetary legislation here or elsewhere, and, through their ignorance upon the subject, have created a sentiment which has so grown, in many instances, as to control and direct the public utterances and the public acts of those who, entering upon a political career with honest motives and for the purposes of promoting the public good, have lost sight of that in their efforts to indulge in that which is responsive to public clamor.

DESIRE TO INCREASE CURRENCY VOLUME.

There has not been introduced into Congress, in either branch, within the memory of many who are here present, a single law upon
the currency question but that has had as its aim and desire the creation of a large volume of currency. Legislation which has been enacted has been for the purpose of enlarging the volume of the circulating medium, and, guided by such legislation and listening to the utterances of those in public places who have advocated it, we find on every hand our people losing sight of the fact that the volume of the currency is of the least importance, but that which makes for the public good in the currency of our country is the soundness thereof.

The volume of the currency of a country is always large enough if the currency issued either by the Government or through the medium of the banks is of the value which it purports to be.

To-day there are those advocating a large volume of currency, and saying there is a lack of such volume, forgetful of the fact that what is lacking is credit on the part of those who most complain and not that the volume of the currency is too small. It cannot reach them unless they have proper credit. A large volume of currency, lacking in soundness, is always a source of public evil. There is one thing that the people of every nation ought to do, and that is to have the value of its currency, like Caesar's wife, above suspicion. They cannot have the value of their currency questioned without producing the greatest injury. We cannot have a currency that is not good at home and good abroad, without producing injury to the people of this country.

**EDUCATIONAL DUTY OF THE CLUB.**

If this club is to accomplish a practical good; if it is to do not only that which its members ought to do as citizens, but as business men, having large material interests to conserve, having at heart that which will make most for the prosperity of its people, it cannot undertake a better work than to educate, through spoken word and through written document, and all the resources at its command, the people of this great Northwest in sound monetary principles. Here, the city of this empire of the great Mississippi valley, here in this portion of our country whose influence is felt to a great extent at present and whose influence in the future must control the destinies of this great nation, ought to be sent out far and wide all the educational means possible to bring our people to a proper understanding of the fact that to prosper and to succeed we must have a monetary system so sound, so unquestioned, and so unquestionable, that each merchant, and each manufacturer, and each laborer shall not be compelled to note with anxious eye each day the fact whether or not $100,000 in gold has come into the United States treasury or $100,000 in gold has been taken across the Atlantic.

If the appointment of a commission can gather together and present to Congress and to the American people the facts of history, the facts of science and the results of business experience in dealing with the currency question, I would hail the appointment of such a commission. I stated in my last report to Congress that through such a commission or other inquiry made by the committee of banking and currency there might be brought to the attention of Congress such information as would be of great benefit to the American people. I trust that in the accomplishment of this end this club, representative of the great interests of Chicago, will aid to the largest extent.

At the close of the addresses this resolution was offered by Mr. J. W. Doane:

*Resolved*, That in the opinion of the Commercial Club of Chicago, no higher service can be rendered to the people of this country than by the creation of a carefully selected commission, neutral in politics, to take into consideration the present monetary situation of the country as to its currency system, with a view to the simplification and improvement thereof, and we respectfully petition Congress to this effect.

It was unanimously adopted.
MEETING OF DECEMBER 6, 1894.

The Sunset Club
Chicago

At set of sun one lone star rules the skies.
Night spreads a feast the day's long toil has won:
Eat, drink, enough — no more, and
Speak, ye wise,
Speak but enough — no more, at set of sun!

E.C. Stedman.
EXECUTIVE COMMITTEE.

Henry Bauher
Frank Billings
W. W. Catlin
Joseph W. Errant
S. S. Gregory
C. L. Hutchinson
Rollin A. Keyes
Arthur W. Underwood

H. H. Kohlsaat
A. A. McCormick
Simon J. McPherson
George D. Rumsby
George E. Stone
Melville E. Stone
A. W. Wright

Philip S. Post, Jr., Secretary.

The Sunset Club

SEVENTY-EIGHTH MEETING,

Held at the Grand Pacific Hotel, Thursday, December 6, 1894.
One Hundred and Sixty-Three Present.

PLANS OF NATIONAL CURRENCY REFORM.

The secretary introduced as chairman of the evening, Hon. E. S. Lacy, ex-comptroller of the currency and now president of the Bankers' National Bank of Chicago, who spoke as follows:

We have met this evening for the purpose of discussing a question which has attracted the attention, not only of the people of the United States, but of the whole world, for centuries unnumbered. We are to talk to-night on plans for national currency reform. When we remember the magnitude of the transactions in which the national currency is employed, we grasp the importance of this discussion. Every transaction of every man, woman and child is affected by the character and volume of the currency. We claim to be the richest nation in the world. The property of the United States, real and personal, is now valued at about sixty-five thousand million dollars, and you will be surprised, perhaps, when I say to you that that sum is liquidated through the banks of the United States three times in each year. The transactions of the banks of the United States for one year equal in value the entire property, both real and personal, of the three richest nations of the earth, the United States, England and France. This entire movement is based upon and measured by, in our own case, one hundred million dollars in the
treasury vaults at Washington. That supply has to be replenished from time to time from the large sums in the vaults of the banks and in the pockets of the people. Today we have nearly if not quite as much gold coin as any nation in the world. We have, next to France, the largest amount of silver coin of any nation in the world.

All money is divided into two classes: Primary money, or money of ultimate redemption; and secondary money, or credit money. In every civilized country, so far as I know, either gold alone, or silver alone, or silver and gold combined are the primary money, the money of ultimate redemption. Secondary money consists of the paper money representative of the primary money, or redeemed in primary money. If we could simplify the national currency so that it would consist of primary money, that is, legal tender gold and silver coin—supplemented by issues of solvent banks under proper restrictions, and under proper rules of redemption—we should, in my opinion, have accomplished the reform which we seek. No other system has ever worked satisfactorily; and no other system, in my judgment, ever will.

We are met by assertions from various sources, at different times, that our credit money is redundant, or that it is insufficient. Both of these things are impossible under proper conditions. I venture to say that if the credit money of the United States was issued by solvent banks under proper restrictions and under proper rules of redemption, both redundancy and insufficiency would be equally impossible.

I have said that the transactions of the banks in the United States amounted to an immense sum annually, say one hundred and eighty thousand million dollars, and nearly all of this is transacted by still another kind of currency or substitute for money, known as checks or drafts. There goes into the banks of the United States every day between five hundred and six hundred millions of this kind of currency. Every two days there is deposited in the banks in checks and drafts an amount equal to the entire paper currency in circulation in the United States, and yet we never hear of any redundancy or insufficiency. Why? Because they are used to liquidate actual transactions, to pay debts, or in the purchase of articles, and the amount of that circulation is measured precisely by the necessities of business. It cannot be more, and it cannot be less. That form of currency is issued when it is needed. It proceeds with regularity and dispatch in the performance of the duty it is called upon to perform, and is redeemed and retired when the transaction is completed. When the check or draft is retired, the circulation disappears and awaits a further issue when a new transaction is inaugurated.

What we want to know is: First, what shall be our primary money; whether it shall be silver, or gold, or both combined. Having settled that, the next question is: what shall be our secondary or credit money. If we use greenbacks, silver certificates, or treasury notes, which have no relation whatever to the amount of business transacted, which have no elastic qualities, which are never sent home for redemption except as they are worn out, or when some one needs gold for transportation, we shall continue to have congestion and insufficiency, panics and unsatisfactory conditions of business generally.

If, on the other hand, we have a circulation of bank notes similar to those issued by the banks of Canada, notes which are put out when the business of the country demands them and bear a proper proportion to the business to be done, which immediately go back for redemption when not needed, there will never be a time when the volume of circulation will be either insufficient or redundant.

The banks of Canada have never issued to the limit of their circulation—ordinarily they do not reach one-half the limit—but they have the power to issue, and that power is their great security. We have a circulation of $24 to $25 per capita, larger than any other country in the world except France. Canada has a circulation of only $13 per capita; and yet she has never had any currency panic, and never expects to have one, because she has solvent banks of issue, with power to issue additional circulation to meet the demand of business. Even during the panic of 1896 they did not reach the limit to which they were entitled to go under the law. They held that power in reserve, and during the panic they not only cared for their own customers and supplied the currency necessary to transact the business of that country, but loaned millions of dollars in the city of Chicago and other cities of the United States.

I do not wish to discuss this subject at length, but simply to bring to your attention these facts, and give you my idea of what proper currency reform means; that we should have a sound primary money, and in addition, have the issue of solvent banks to supplement it, and to give us the elasticity we need.

I now have the pleasure of introducing to you as the first speaker of the evening, Prof. J. Lawrence Laughlin, of the University of Chicago.

Prof. Laughlin: It is not often that a poor professor is called to sit down at a table between two bank presidents, and I thank you for the honor. In the old days of banking in England it used to be said that banking was all profit and no respectability. Now they say it is no profit and all respectability.

The "Baltimore" plan, which has presented itself very largely to the whole people of the United States for discussion, deals solely with the function of note issues of banks, totally disregarding the two other important functions, namely, deposit and discount. The Baltimore plan does not propose to modify existing law with regard to the immediate redemption of notes. The redemption fund of five per cent. in Washington and the usual require-
ments for redeeming notes at their counters remained unchanged. The Baltimore plan proposes a radical and drastic change in the provisions of the existing law as to ultimate redemption of national bank notes. At present, as you know, the ultimate redemption and security for bank notes are United States bonds. The bank can issue ninety per cent of the par value of the bonds. The Baltimore plan instead of this proposes a five per cent guarantee fund held by the government; then a prior lien on all the assets of the bank; and if this is insufficient, then on the stockholders' liabilities. This, in brief, is what the Baltimore plan proposes.

Secretary Carlisle modifies the Baltimore plan in favor of greater security to note holders. He proposes first, a deposit of thirty per cent. of the circulation in legal money with the government; then, second, the safety fund of five per cent; third, an requirement upon all other banks to fill up deficiencies in these two funds of any failed bank; fourth, a lien upon all the assets; and fifth, a further lien upon the stockholders' liability.

The security to the note issues is large and unquestionable. The prior lien on the assets is not really understood. It gives, as it proper, the noteholder a lien before the depositor on all the assets. The limitation of the amount of issues to fifty or seventy-five per cent. of the unimpaired paid up capital is a mere formality, so far as security goes. There is no measure whatever of the assets of a bank by comparing them with its paid up capital. The item of loans may be enormously greater than capital, and that is only in every strong, well-trusted bank.

Example, the Chemical Bank of New York has a capital of $300,000, but loans of perhaps $15,000,000 or $20,000,000, and it is nearly the same with such a bank as the First National of Chicago. Therefore, the limitation of issues to a certain percentage of capital gives a security in assets out of all proportion merely to capital.

Both these plans mentioned agree in limiting the issues to a percentage of fifty or seventy-five per cent. of the paid up capital. Now, we have been complaining of the inelastic character of our "greenbacks" as a reason for their retirement; but in the new plan it is made impossible to issue more than a certain percentage of bank capital. But bank capital is not an elastic thing. Indeed, it has not changed greatly in years. In 1875 it was $504,000,000; in 1885, it had increased only to $678,000,000, while the total amount of circulation increased from $734,000,000 in 1875 to about $1,900,000,000 in 1885; and population had in the same period grown from 14,000,000 to 69,000,000. We see therefore that the new scheme sets up an inelastic barrier of bank capital, and determines the amount of the issues by taking a certain percentage of that inelastic capital. To this extent the new schemes, while to be approved in general, are defective.

In all these plans, we are really aiming to prevent the difficulties experienced last summer, when we resorted so largely to clearing-house certificates. Let us see just what takes place, and what the remedy is.

In normal times before a panic one man sells his goods expressed in terms of the standard money, drawing on the buyer, depositing and discounting the bills and checks thus created, paying his own debts by drawing bills, checks, etc. And so with every one; not only this man, but all men in ordinary business. Not more than five per cent. of actual money is used as a medium of exchange. Ninety-five per cent. of the transferred money is used solely as a thing in terms of which goods are expressed, and the media of exchange are not money but the bills, checks, and so forth. These latter media are elastic, perfectly elastic. They expand exactly in proportion to the work to be done.

Now, what happens in a panic like that of 1863? Many purchasers have obligations maturing at fixed dates, and these obligations are drawn in terms of the standard. This standard is now gold. Every one is liquidating—selling property, stocks, bonds, in order to get that which will meet these obligations. If they are not met, financial failure is the result. As it actual coin or bank notes that every one needs to get means of payment? If a bank will lend him on his collateral, and credit him with a deposit, he is all right. So long as a bank is able and willing to give loans on collateral, that is, translate that collateral into means of payment, all goes well. In short, the exu of the whole matter is traced to the banks. Can they expand loans indefinitely? Can they furnish all the means of payment needed to enable every borrower having collateral to avoid destruction when his obligations mature? That is the real question. In a panic all depends on the answer to this. Now how does the elasticity of note issues affect the situation?

Here let me refer to an elementary matter in banking. A bank makes its profit by buying a debt due in the future by giving for it a debt due at the present time. That is, it buys a note, or discounts a bill, at sixty days, with collateral, and gives for it an immediate liability. But the forms in which a bank gives an immediate liability are two—one in the form of notes which runs on the banks, and the other in the form of bank checks. First, if its customers are engaged in large transactions, in a city, they use checks almost entirely. Therefore the bank finds that making a deposit account is the form of immediate liability which will be generally used. Second, if its customers always pay money from hand to hand, the bank finds that its borrowers demand that form of immediate liability, called a note issue. It makes no difference to the bank which is used; that depends upon its customers.

Now, in the stress of a panic, what is needed? Elasticity in any one form of immediate liability? In order to enable a bank to loan, and so stop the pressure, it is necessary only to have an elastic limit to the note issues. Certainly not. The same thing can be accomplished by a deposit account, and that method is unrestricted by law. Indeed, as a matter of fact, the largest banks make no use of their note liability, and use the deposit liability only. Can we not see, therefore, that this calling attention solely to the elasticity of note issues in the Baltimore plan does not meet the whole need? Grant that we have this elasticity
of note issues, we shall not then meet the difficulties which will inevitably arise in times of stringency as certainly as the sun rises in the east. To be sure, so far as the note liability is used from hand to hand in retail and small transactions, or five per cent. of the whole, it is well to have the issues of them answer promptly to the demand, provided safety is secured. Then both forms of immediate liability—first, deposit credit; and second, note issues—will freely respond to the demand of customers, whenever a bank can lend at all.

But it must not be supposed that an elastic note issue is a universal panacea for commercial crises.

This leads me to point to one of the most important of all the recommendations of Mr. Carlisle’s message. It is tucked away in the end of an innocent looking sentence of the President’s message, but is more fully developed by the Secretary. He advocates the abolition of fixed reserves for deposits. This, with the proposal to withdraw the greenbacks, is the most refreshing talk we have had for years. To abolish the fixed reserve will help more to aid borrowers in a panic than to make note issues elastic. It touches the vital relations between the three items of most importance in a bank account, the loan, the deposit-liability and the reserves. It helps to allow the bank to discount at the most critical time. As our laws now stand, they aid in the ruin of the hard pressed borrower, who yet can offer good collateral: at the very moment of greatest need they forbid the bank to loan at the risk of losing its charter. At the very time when loans are most needed, banks are forced to cease discounting. If this change should be adopted, however, there should go with it the repeal of state laws limiting the rates of discount.

Nothing in the recommendations is more commendable than the proposal to retire the United States notes. The government in its recent struggle to maintain our standard by selling bonds, furnishes a lesson not to be unheeded. The whole matter is undignified and unsafe. Why should the whole business of the country wait on the fluctuating politics of a congress chosen, as a rule, at random, not for financial experience, but for political prowess?

The government should not issue notes, for many reasons: First, because no government can determine the amount of issues which will satisfy business, and which should be automatic, second, because there is no self-interest to prevent over-issues and maintain convertibility (as in our civil war); third, because it may any hour bring us all the evils in the train of depreciated paper, speculation, inflation, thirst for “more money,” increase of government burdens, and overwhelming difficulties in returning to solvency again by contraction; fourth, because government issues are insecure; and fifth, because it puts the government in the dangerous position of influencing and controlling prices and the money markets. These are reasons enough for the withdrawal of the United States notes. But there should be no nonsense in any complex schemes for withdrawing them. Let them be funded in low interest bearing bonds.

The mental confusion on money subjects is too often connected with failure to distinguish between the production and the exchange of goods. Money is a machine by which goods are exchanged after they are produced. It is not a question of production. Increasing the amount of money does not increase goods in other forms. By increasing the number of railways between Chicago and St. Paul, shall you increase the number of bushels of corn and wheat to be carried on those railways? Assuredly not. Every one can see the absurdity of such an idea. An increase of the means of transportation does not increase the quantity of goods to be transported. It may, indeed, even produce the opposite effect; an excessive transfer of wealth into railway embankments might leave less wealth to be devoted to the production of goods seeking transportation. The case is precisely the same with money. Money is only the machinery by which goods are exchanged against one another. No matter how valuable, it is not wanted for its own sake, but for what it will buy. We do not eat or drink the money itself. It is only a means to an end; it is like the bridge over a river—a mechanism by which we get goods from one shore to the other. To confuse money with the goods it transfers, is like failing to distinguish between the bridge and the corn and pork which pass over it. To suppose that coining more silver would make the country richer is to suppose that the more bridges we build the more corn and pork we shall have; or that the more railways we build between Chicago and New York, the more goods there will be to pass to and fro. Once the real work performed by money is apprehended, the fallacy of the demand for more of it becomes clearly apparent. It is an insult to the intelligent farmers of our land to believe that they can accept and maintain a doctrine that more money creates more goods. As well try to persuade them that the more shoestrings they have the more shoes they own. Stupid legislation on money has done more harm than anything else. It brought us the panic of 1857. When the chicken hawk of monetary idocy appears in the sky, the shy chickens of capital and industry skurry to cover.

The CHAIRMAN: I now have the pleasure of introducing Mr. W. H. Harvey, author of “Coin’s Financial School.”

MR. W. H. HARVEY: I heard a man remark the other day that the bankers were in the saddle. Since reading the message of the President and the report of the secretary of the treasury, and listening to the remarks of Prof. Langthi, I can add to what the gentleman said, that the people are under the saddle.

I shall adopt for this discussion the “bankers’ plan” as laid down by Mr. Eckels, the comptroller of the treasury. It differs from that of the President and the one promulgated from Baltimore only in details and not in essentials.

This plan proposes that the government loan the bankers indefinitely the use of money to the amount of one-half of their capital stock,
secured by a first lien upon their assets, upon the payment of a charge of two per cent. the first year and one-half of one per cent. annually thereafter until the annual charge of one-half of one per cent. added to the original two per cent. shall amount to five per cent., and thereafter this charge is to be suspended, to be resumed whenever the comptroller of the currency shall deem it necessary, but in no event to be more than one-half of one per cent. in any one year. The money thus loaned to the bankers is issued by the government and to be redeemed by the government. It is further proposed that an additional sum equal to twenty-five per cent. of their capital stock be loaned them by the government on an additional charge (not stated), to be known as an emergency fund. This money in the hands of the bankers to be free from taxation. This is the "bankers' plan."

What this means is: A bank under such law could borrow from the government at its pleasure money to the amount of fifty per cent. of its paid up unimpaired capital stock, and for the use thereof would pay to the government the first year two per cent. interest, and after the first year one-half of one per cent. interest, until the aggregate interest amounted to five per cent., and thereafter, unless called upon by the comptroller, for not to exceed one-half of one per cent. per annum, would use the money without the payment of any interest or charge whatsoever. Two per cent. the first year, and one-half of one per cent. for six years would make the five per cent., or an annual interest for seven years of five-sevenths of one per cent. If nothing were paid after the seven years, as is contemplated by the bill, in twenty years they would have paid five per cent. only, or an annual average rate of one-fourth of one per cent., or at most an annual average rate of about one-half of one per cent., for money which they are to have the use of to loan to you and me at from seven to twelve per cent. per annum. This is the "bankers' plan."

The government issues the money, guarantees it, and stands ready to redeem it. The government makes it money. The bankers do nothing towards creating it, but stand ready as middlemen asking for the exclusive special privilege of borrowing this money at a nominal rate. This is the "bankers' plan."

This five per cent. in seven years (and possibly nothing thereafter) is not conceded by them as a profit to the government. It is intended as a guaranty fund to secure the government against loss by the failure of insolvent banks to return the money borrowed. The government is expected to pay out this five per cent. There is to be no profit to the government. The lender (in this case the government) is to make nothing. The borrower is to make it all. This is the "bankers' plan."

This loan by the government to a bank, put in the form of a note, would read in substance as follows:

WASHINGTON, D. C.

Ninety-nine years after date the undersigned promises to pay to the United States of America the sum of . . . . . dollars, with interest at the rate of two per cent. the first year, and one-half of one per cent. for the next six consecutive years, and no interest thereafter unless the said interest above provided for, together with like interest on similar notes, is not sufficient to pay losses incurred by the government by reason of bankrupted banks, and in that event not to exceed one-half of one per cent. in any one year. Value received in money this day, borrowed from the government. This note is payable in similar money as that borrowed, or in any other lawfully issued money of the government, and is secured by a first lien on the assets of the bank.

Here is the form of the note you would be required to give when you wanted to borrow any of this same money:

CHICAGO, ILL.

Ninety days after date I promise to pay to the . . . . . . . bank the sum of . . . . . . . dollars in gold coin of the United States of America, of standard weight and fineness. With interest, after maturity, at the rate of seven per cent. per annum. Payable, when due, at the said . . . . . . . bank, etc.

The interest for the ninety days would be deducted in advance from the money loaned. If it were a stockholder of the bank loosing this money for his private account, on a first mortgage security. In addition to the gold clause, it would be a judgment note, and would draw anywhere from six to twelve per cent. interest. This is the "bankers' plan."

The president proposes thirty per cent. deposit of greenbacks by the bankers with the government, five per cent. of this to be the five per cent. I have heretofore referred to, and twenty-five per cent. as a further guaranty fund, to be withdrawn by the bankers upon the surrender of the money borrowed, and as against this the banker to have an amount equal to seventy-five per cent., instead of fifty per cent., of his capital stock. A shrewd proposition, which, when unmasked, means that the extra twenty-five per cent. deposited is for the retirement of our greenback issue, the only legal tender paper money we have, and the substitution of national bank notes therefor, and is additional to the fifty per cent. heretofore discussed.

Secretary Carlisle amends the Baltimore plan by suggesting that the government does not redeem this money, but that each bank shall itself redeem the money issued to it. This means suspicion thrown on the money to start with, and a copy of Bradstreet or Dun in your pocket, giving the rating of the four or five thousand banks in the country, with a list of the broken ones up to date, and a careful reading of each bill received.

I now come to the more serious portion of their proposition, the
basis of this new paper money. The bankers propose that it shall be based on this.

First. The quantity of gold in the world.

There is by the report of the director of the mint made the other day, 8,400,000,000 of the yellow metal available for money in the world. This is approximately $2.51 per capita to the population of the world. In quantity it is about the size of a drop of water. Cast it into cubic foot blocks and you can stack it all up—all the gold in the world available for money—in the corner of this room in a space 23 feet each way, and have space enough left to box it in. In these days object lessons are a good thing to study. If you want to test this statement, go into one of your banks and use twenty-dollar gold pieces to make the test. You will find that 81 will go in a square foot. 132 will stack up a foot high. Multiply the 81 by the 132, and this result by 20, the number of dollars in each piece, and allow for the alloy and space between the stacks, and you will get as a result $338,008 in a cubic foot of cast gold. As mathematicians, you will then soon discover that my statement is true. It can all be put in the vault of the First National Bank of this city—all the gold in the world available for money.

About one-seventh of this block of gold is in the United States—in its treasury, in the banks, and bid away. It could all be put under this table and our feet would not touch it while eating this dinner. It is on this amount of property, having an exchangeable value with all other property, and a very high exchangeable value, just now, that the bankers propose to base all of our currency.

Second. The demand for gold.

Under concerted action of the bankers of the new and old worlds, all the governments are being placed as rapidly as possible on a gold basis. We are on that basis now—and I might say, as hard aground on it as a Mississippi river steamboat was ever aground on a sand bar. Each nation is now pulling and hauling at this twenty-two foot block of gold for fear it will not get its share. This increases the demand for gold.

Third. What is the probability of the United States being able to keep her share of it?

We have witnessed for a year, since the repeal of the silver purchase act, the spectacle of this government dictating with a lot of New York bankers for gold enough to keep up the appearance of redemption. England, the creditor nation of the world, has a corner on gold and can take it all away from us at any time. She owns over five thousand millions of our bonds, national, state, municipal and corporate, and only has to part with a bagatelle portion of them in our markets to walk away with all our gold and bring on a gold famine at any time. London can pull the string and make us dance. She can lay her adroit plans by selling our stocks short and then pulling the string. We are paying the money lenders of England two hundred and fifty million of dollars annually in gold as interest on those bonds. We are producing about thirty-seven million of dollars of this gold annually, and with wheat at fifty cents and cotton at five cents and our other exports proportionately low, there is no hope of getting all this gold back in the way of a balance.
of trade. This enormous interest is due to England annually. It is payable in gold. The notes and bonds so read. Do you understand it? Do you understand gold, the word exports? You may expect them to keep us in hot water in the future as in the past. We are increasing our interest obligations. A gold basis holds us to low prices for our exports, and under any system based on gold we cannot expect to hold our gold. There will come a day when we can borrow no more, and bankruptcy will be the end. It is idle to expect to hold sufficient quantity of this scarce and dear metal as the basis of a monetary system for this great government. Admit for a moment that we could hold all we have. It is estimated that we have about six hundred million dollars of gold in this country. This statement is in doubt, but the treasurer so estimates it. With that quantity of gold in the treasury, banks and pockets of the people, it is safe to issue six hundred millions of credit money, and no more. The gold in the country, the credit of the government can be relied on to get it. For each dollar of credit money it issues beyond this point it runs the risk of shaking confidence and endangering the whole structure. It may be done for a time, but a large failure comes, a stampede starts, and a panic is the result. You will understand me better when I put it this way: Suppose this block of gold, the cube of 22 feet—all the gold in the world—was declared to be the unit or dollar, and one paper or credit dollar was issued against it. It would be a sound dollar. But suppose two credit or paper dollars were issued against it, and they came into the hands of two men, respectively. At the same time, there would be a foot race to see which of them could get to the redemption place first. If you answer me by saying that there is now one thousand millions of credit money in this country as against six hundred millions of redemption money, I point you to the hour glass at Washington where the yellow sand of time is fast running out. If we could hold our gold, and admitting there is a hundred millions as claimed by the treasurer, we cannot safely think of more than six hundred millions of dollars of credit money. This would give us twelve hundred million dollars or four hundred million less than we now have, and this, in my judgment, is what the bankers intend if they can hold the gold in the country and control each other. If they cannot control each other in holding the paper issue to its relative position to redemption money, then it means an over issue of paper money and a return to the worse condition of wildcat paper money, and a continued run on the gold reserve.

No currency can be elastic that does not provide for elasticity in its primary money. Any attempt at an over issue of paper money—and that is what they mean by an emergency fund, or elastic currency—is a time of panic would only make the report of the bladder, when it did burst, the louder.

Fourth. The adaptability of gold as the basis of a monetary system. Gold as the basis of a monetary system is impracticable and impossible. There is no precedent for it in the monetary history of the world. The twenty experiences we have had in getting down to it has broken the back of this country, and demonstrated its impracticability. It is the money of the rich and few, and is subject to combinations and manipulations that prevent its being made an equitable and stable standard of values. No property, the amount and supply of which does not automatically regulate itself and circulate among all the people, can be made the basis of a monetary system. Gold as the basis of a monetary system is quicksand, ever shifting and unreliable. There is one firm in England that can corner the gold of the world, and three men in the United States who can corner the gold of this country. Gold is football, and the money lenders are the kickers. The two crack teams of the globe are in Wall street and Lombard street.

You are discussing here to-night the most serious question of the age. Your lives, your liberties, and your fortunes are involved in this question. The happiness of your wives and your children is wrapped up in this subject.

For twenty-one years a financial trust has been appreciating the value of money so it would exchange for more and more of your property. Their securities call for money, and when these securities have to be paid, you must convert your property into money with which to pay it. You find it more and more difficult. A debt for a thousand pounds, which a thousand bushels of wheat would have paid ten years ago, now requires two thousand bushels. This financial trust has been undermining your primary money. It has destroyed one-half of your primary money by closing the mint to the free and unlimited coinage of that half, thus taking away from it its commercial value as measured in the new unit, gold, and placed you on gold alone as primary money. The people have struggled against these conditions—against falling prices—by borrowing money to sustain their business and to pay expenses, until now the alarming condition exists that the public and private debts of this country amount to about forty thousand millions of dollars. You can appreciate what this sum means when I tell you that the total assessed value of all the property in the United States, by the census of 1890, is twenty-four thousand millions, sixteen millions less than the debts of the country. Property is selling, at forced sale in many parts of the country, at less than its assessed value. The interest for one year at six per cent, on these debts is more than the total money stock of the country. With the fall in prices, as measured in gold, this appalling cloud of debt has risen. All money lenders are selfishly interested in any plan that appreciates the purchasing power of their property—money. The great industrial classes, the owners of real estate, professional men, in fact, all men except money lenders, are benefitted by falling prices and an equitable and stable money measure of values. We are legislating to make the value of money grow, instead of wages. We are cultivating trust and corporations and human greed, instead of human character. Our business men are doing business in a falling market. Few, if any, of our business men are making money. Most of them are losing money. Four million of idle wage earners are in this country.
Tears are falling upon the cheeks of thousands of women in this land, and helpless babes are dying at their mothers’ breast for the want of sustenance. Within the year, in this city, a woman has been crushed to death at the county agent’s office in a scramble for bread, while her two little daughters were dying at home from starvation. The financial legislation that has deprived the people of their property, destroyed them as consumers, and paralyzed the hand of industry and enterprise, is now asking in this “bankers’ plan” that the system be perpetuated and intensified. We do not want to study how to increase our credit that we may borrow more money, but how to increase prices that we may pay what we owe. A benumbed civilization is in the toils of the money changers! Selfishness prompts the propositions of the money trust to the government! It is aided by its allies, kindred trusts, that wait their turn at the public crib. It threatens to destroy the success of the administration that does not do its will! It toasts and banquet our politicians, who eat and drink of the power of money.

The “bankers’ plan” is intended to rivet upon us the chains forged in the crucible of the last twenty-one years. A policy which, in the language of a late United States senator, “is consigning to a pauper’s grave the closing years of the nineteenth century and laying the heavy hand of paralysis on the opening of the twentieth.” A helpless nation awaits the burden that will be placed upon it unless there is courage, common sense and independence enough in the American congress to reject it.

GENERAL DISCUSSION.

MR. MERRITT STARE: One point to which I would direct attention in the proposed plan is the suggestion of the President to repeal the statute placing ten per cent, tax upon the issues of state banks. It is a thinly disguised attempt to return to state bank money. It is said that a part of that plan is to provide in a proper way for government regulation and federal supervision. The danger is that an easy generosity like that will satisfy us, and we shall find too late that we have nothing but a generality. Let me illustrate. The last national bankruptcy law provided for uniformity of action in the states, and for uniformity in the matter of exemption. It was amended by a statute adopting the exemption laws of the several different states as that one uniform national exemption in bankruptcy. That gave forty-four different kinds of exemptions, all adopted and incorporated in one law. How easy it would be, after abolishing the ten per cent, tax on state bank issues, and providing in general terms for uniform federal regulation, to pass an amendment adopting the forty-four different systems of state law regulating bank issues, and thus at one step go back to the days of wildcat money. That, in my mind, is a most serious danger incident to the Baltimore plan as adopted and modified by the administration.

This danger is illustrated by the story of a man who came was just before the war. He was arrested payment of a debt in three different kinds of money. One was “wildcat,” state bank notes of the Missouri bank; the second was “red dog,” city scrip of a mining town, and the third was good counterfeit on the Cincinnati savings institution. He preferred the latter.

MR. HENRY G. MILLER: Jevons, in his valuable work, “Money and the Mechanism of Exchange,” said that if all commercial nations should simultaneously adopt the gold standard there would be a revolution in the value of gold. All the commercial nations have practically adopted the gold standard, and there has been a revolution in the value of gold. Where a money metal has free access to the mint, to be returned to the owner in the form of coin, its bullion value is coincident with its note valuation. Its market value is coincident with its mint valuation, because a person who has a quantity of this bullion will not sell it in the market for a less number of dollars than the mint will give him for it. Gold is freely coined in all the mints of the commercial nations, therefore the market value of bullion gold coincides precisely with value of the coins. If there has been an increase in the value of the coin, there has been a corresponding increase in the value of the bullion. The value of money is its relation to commodities and other forms of property. The value of a given sum of money is the quantity of commodities which it will exchange for. If money rises in value a given sum of it will purchase a larger quantity of other forms of property. Prices fall as gold rises. The best statisticians in the old countries have stated that the increase in the value of gold money—because only gold can be considered money—during the last twenty years, since this experiment of gold monometalism was inaugurated, has been from forty to fifty per cent. A dollar to-day is as valuable, compared with commodities, as a dollar and a half was twenty years ago. This means falling prices. All admit that falling prices have brought upon us the winter of our discontent, and that our money is now hibernating in bank vaults.

The rate of interest is regulated by the profits that can be made from the use of money. No profits, or but very small profits, can be made from the use of money while prices are falling. Now interest falls, and the fact of low interest is a sure sign of a congested money market.

Gold has risen. If we can each realize that our ills are caused by the rise of gold, and not by the fall of silver, we can then at once see what the remedy is. Silver has not failed; its relation to commodities is about the same to-day that it was twenty years ago. But they say a silver dollar is only worth fifty cents. What does that mean? They do not say that the silver dollar will not purchase as much as the gold dollar; we all know that it will; they mean that the silver dollar is worth five cents. Fifty cents in what? Why, in gold, of course; but in wheat it is worth just as much as it was twenty years ago. Gold has risen. Silver has not fallen. And comprehending that will assist us very much in understanding this question. Silver has been persecuted this last twenty years, and by no country more severely
than by the United States. The idea has been that silver has fallen. Silver is not the sick metal; it is gold. Gold has swelled, that is all; silver is all right. Why do they oppose silver? Silver and gold are merely materials of which money is made. You want money for the service it will render, for the function it will perform, whether it is gold, silver or paper. Silver will serve you just as well as gold, because, although occupying a larger space than gold, relatively, this disadvantage is easily overcome by using the paper certificates in place of the metal.

The material of which money is made is of little consequence, provided it answers our purpose for monetary use. What is it that is all important? It is the quantity of money in circulation. As the quantity increases, the value of the unit of money falls, and prices rise. Prosperity sets in, industryrevives, and men find employment, by an increase of the quantity of money.

I could occupy you for hours in reading authorities, but there is no difference of opinion amongst economists upon the point that the important thing is the quantity of money. Are you going to limit the quantity of money by using only gold? If you set out on that course the country will be bankrupted. This policy will inaugurate a never ending era of falling prices, under which there can be no permanent prosperity.

Mr. George Prentiss: I object to the Cleveland-Carlisle currency plan on three points. There are others, but I will confine myself to these:

First. It gives to the bankers without consideration the right of the people to create and own the paper money they need to transact their business among themselves.

Second. It enables the bankers to create and own the paper money needed by the people, the government parting with its power to control the volume of money.

Third. It takes away all restraint upon the banks' loans, and permits them unchecked to loan out their depositors' money at will, making money plentiful or scarce without restraint. And this they call flexibility.

The right to create and own the paper money of the country is the most valuable franchise on the continent. It now amounts to nearly twelve hundred million dollars, and will soon be fifteen hundred millions. At the rate charged by the banks the interest upon this vast sum of money amounts to about one hundred millions per year. Who has the right to create this vast sum of money out of nothing but paper and ink? Unquestionably the people. The power of the government to coin money and regulate the value thereof, and of foreign coins came from the constitution. The constitution does not give congress power to give away this most valuable franchise. Congress is bound to exercise it in the interest of the people. It may be urged by the bankers in reply that congress is not competent safely to issue the paper money. The answer is that the government never yet has issued more paper money than it should. If during the Revolutionary War and other wars it issued a large amount of paper money, it was done to save the nation, when gold had run away. It was entirely justifiable, and we would do it again under the same circumstances. Furthermore, for over thirty years the nation has issued nearly one thousand millions of paper money without trouble, without complaint, except from the banking interest, which wants to issue this paper money themselves, and thereby levy a tribute of one hundred millions of dollars per year on the nation without right. Moreover, it will become the habit of the federal government, of the states, to make such unfounded charges against congress and the people, when every panic we have ever had has been brought on by the banks themselves, losing out nearly nine-tenths of their depositors' money during prosperous times and then suddenly calling in loans, and violently contracting the quantity of money circulating among the people, thus spreading a panic and ruin throughout the land. This they call flexibility.

If the banks are allowed to issue our paper money there will be no restraint upon the number of banks and the amount of paper money they put forth. Ricardo, the great gold standard authority, says that the value of the money in any country is determined by the amount. Commodities rise or fall in price in proportion to the diminution or increase in the money. I assume that to be an incontrovertible fact. In brief it is said that an increase of money—population and business remaining unchanged—raises prices, and a diminution lowers them. The power to increase or diminish the volume of our money may be used with it the power to raise or lower the general range of prices and to bring prosperity or adversity among the people. That power should be retained and exercised by the government.

In 1890 all of the banks of the United States together had on deposit nearly $4,200,000,000, and held as a reserve $475,000,000, or about eleven and a half per cent. In other words, out of a $100,000,000 of deposits they loaned out all but $11,500. The panic of 1885 was precipitated by the banks refusing to loan money and making every one owing them pay up. They thus locked up the money that had been circulating among the people until they brought about the panic. They probably now have on hand nearly forty per cent, and many of them fifty per cent of their deposits. This is more flexibility! If their deposits are anywhere near as large as they were in 1880, from eight hundred to one thousand millions of dollars which had been circulating among the people and giving us comparatively good times, has been locked up in the banks. This clearly explains the money famine and want and distress among the people. It also shows that the banks had loaned out far more of the depositors' money than was right or safe, in violation of imperative laws compelling the banks at all times to keep on hand a reserve that will enable them to meet their depositors' demands. One of the worst features of the Cleveland-Carlisle currency proposition is that it allows them to loan out their depositors' money without restraint and
thereby intensifies the danger of panics such as we are now suffering from.

MR. M. S. HASKELL: If I were to undertake to account for the financial state of this country for the last ten months, I should arrive at a conclusion by a very different line of argument from anything I have heard here tonight, but inasmuch as the people have recently passed upon the question, and the decision was nearly unanimous, I need not say anything more on that subject. I had supposed that rack-poplustic ideas were knocked out at the same time that certain other people were knocked out. I did not suppose there was as much populism left in the United States all put together as I have heard expressed here this evening, some of it coming from gray-headed men, who, it would seem, ought to know better. I was particularly astonished at the remarks of the gentleman who spoke second. He said that the reason gold was not a proper standard of value was that it was fluctuating, that it was a foot ball kicked about here and there. I think it would make rather unhealthy kicking, and if the lump was as large as he described I should get some other men to do the kicking.

The fact is, disguise it as you may, the reason why gold is the proper standard of value is, that on the average the world over, as God Almighty has distributed the precious metals, it costs a dollar of labor to produce a dollar of gold. The arguments of some of the gentlemen reminded me of a country lawyer who, becoming very much annoyed at the attorney on the other side, said, “The gentleman on the other side has made several allegations, and the alligator knows they are not so. I have confidence in your honor to know that you do not sit there like some marble statue to be waited about by every idle breeze that blows.” It should happen that gold should be found in such abundance all over the world that it could be had for the asking by every one, even though it would remain very useful to us, it would be like air and water—both very useful, but having no price.

Gentlemen have said here that all the nations of the world have adopted the gold standard. That would seem to be a tolerably good reason for supposing that it was the best standard that could be adopted. The only prosperous nations there are in the world are those that have the gold standard.

I happened to live during the late unpleasantness in the country where they issued plenty of money. It went so far there that they carried their money to market in a wagon and brought back their purchase in their vest pocket. That money was not worth very much, and it is not worth anything today. When you depart from well established financial principles with the idea that you can get something for nothing, you are well on the road to ruin and disgrace.

The reason wheat is not worth fifty cents a bushel now is not because gold has appreciated, it is because the area of production has been so vast and the means of producing so cheap relatively that there is more profit to-day in raising wheat at fifty cents a bushel than there used to be at a dollar, and my opinion is that any system not based upon the fact that a dollar should be a dollar the world over is no system at all. Take a twenty dollar gold piece, mash it up, and it is worth twenty dollars yet. It makes no difference whether it is coin or not, the gold dollar is worth a dollar wherever you find it, and in my own judgment that is the only system upon which a safe currency can ever be based.

MR. E. G. KEITH: I sought the floor because, after one or two speeches which I listened to, being simply a banker here, I was a little afraid my wife and children would not recognize me when I got home if I did not make some defense of myself. I never supposed before that I belonged to that fastidious class of people who are sitting up nights to see how much suffering they can create in the world, but I find here tonight that such is the opinion of my fellow men, and it humilliates me very sadly. However, Mr. Chairman, I want to say that I cannot begin in eight minutes to talk of the fallacies which I have listened to—fallacies from my standpoint.

Capital is as anxious to see the wheels of industry turning, to see the wage earner getting the largest price he can for his labor as anyone can be, because out of that comes all the prosperity that the banker has or that any other man has. If the community suffers, the banker suffers, and there is not a man in any degree connected with banking who does not know that fact from his own painful experience.

As citizens of a common country—not as bankers—we seek to see the wheels of industry turn. The standard of all prosperity is the prosperity of the wage earners, not the price of wheat, not the price of pork; the value of ’pork’ today is as high as it was in 1830, the value of wheat has gone down; but it is the value of the wage, that is the standard to which we all must come at last. What was the value of day wages up to the time of our panic? In the whole world they have never averaged higher than from 1880 to 1892, and yet we are told that gold is being so confined to a little quarter of the earth that the whole community is being screwed down. That is not true. There is more of fallacy in this idea than in anything I have ever listened to from intelligent men, that because there is only so much gold as can be put in the corner of this room, therefore there is no prosperity. What is gold good for but to pay the balances between commercial nations? Primarily, as has been well said tonight, the money of the country is the checks and drafts, and only as we need the money to pay balances between commercial nations is gold good for anything, and that only in a small quantity.

One thing more on this question of the volume of money. The only plan that is good for anything in this country is that which makes the currency so sound that a dollar is good anywhere in the world, and such a dollar, whatever it may be, is the only dollar that any banker who desires the prosperity of our common country is for.
Mr. Willis J. Abbott. The gentleman who preceded the last speaker favored us with some arguments delivered with such an air of personal conviction and enthusiasm that they could not fail to carry great weight. He assured us, for instance, that gray hairs were not always an indication of wisdom, and I think that those of us who listened to him, and observed him at the same time, admit that he illustrated it. He utterly disposed of the argument on one side of this question by stating that the propositions advanced were populist, and stating that he had not heard so much of populism since the recent election as he heard here to-night—which election a great many of us who may not be populists may deplore for other reasons.

I do not believe the truth is going to be wholly demolished by being labeled populist. If the arguments made are correct and the facts are correct, if they have any force, let us discuss them fairly. Let us not pass them over by conferring upon them an epithet which some may consider opprobrious and which others may wear as a badge of more or less pride. Neither do I think that financial fallacies are going to be wholly sustained by denouncing them great financial truths. We want something to back them up.

The president of the United States, the comptroller of the currency, the secretary of the treasury, and the national bankers—the official and unofficial gentlemen to whom we have committed the task of managing our currency for their profit, and for the spoilage of a good many of us—have based their whole argument on the proposition that it is necessary that the government should be absolutely divorced from the banking business, and by the banking business they seem to mean the issuance of currency. If we accept that as a fair statement of proper governmental functions I think we shall have to admit the whole plan of the banks, the whole argument which Prof. Laughlin has so ably presented to-night. Is not rather the position to be taken that the banks should be wholly divorced from what is a legitimate and the highest function of the government, namely, the issuance and control of the money of the people; is not it the duty of the government to issue and control not only the money of ultimate redemption—money which cannot be of a single metal, but must be of both gold and silver, on an equal plane—but the secondary money as well? Prof. Laughlin has argued that it would be exceedingly dangerous to leave to the government the right to issue money and thereby confer the power to control prices and rates of wages, but it seems to me that equal danger will be incurred in conferring this power upon the banks. I think we could trust the government which is responsible to the voters better than we can an interest which has already been consolidated into one single organization all over the country, an organization which keeps before it its own particular purpose, the profit of the stockholders in the corporation, and very properly, for that is what it is for. We can trust the government, it seems to me, better than we can the banks, which are private institutions wholly.

One gentleman said something of an honest dollar, that is to be a dollar good anywhere in the known world. With that statement no one can take issue, but there is another essential of an honest dollar, and that is that it should be as good five years from now as it is today. That sort of a dollar we have not now, and that sort of a dollar we shall not get under the Baltimore plan, which, while it throws a sop to the people in the way of increasing the currency, still leaves the whole volume of increased currency founded upon that single standard of gold, which other gentlemen have so effectually shown is insufficient for the work and which can only do great harm to the producers and to the wage workers of the country.

Mr. John Z. White. It strikes me very forcibly that the gentleman who referred to the fact that he thought that populism was dead is in the same position as the gentleman who a few years ago declaimed that he would yet call the roll of his slaves under Bunker Hill monument.

One gentleman says that the bankers suffer when the people suffer; another gentleman says that a poor woman was crushed to death while struggling for bread. I presume therefore we are to conclude that so far as the bankers are concerned the poor woman has been crushed to death twice.

So far as this money question is concerned it seems to me that Mr. Cleveland was entirely right when he said that banking should be divorced from government, but banking is one thing and the issue of money is another. Banking has no more to do with the issue of money than protection has to do with the question of revenue. It is the confusing of these two ideas that leads to the needless and useless discussion of this question. It is the office of the government to issue money. No one else can issue money; no one else ever did issue money. What is needed is a medium of exchange. No. A bank check is a medium of exchange and it is not money. A pitcher is a medium of exchange if a gentleman is handling champagne, but it is not money. Money is a legal tender. No bank can establish that unless it is granted a special privilege by the sovereign power. What the bankers are asking to-day, whether they do it consciously or unconsciously, whether they do it from mean or from noble motives, is the privilege of exercising sovereign power. That is what they ask, and they ask it in the name of humanity, just as Jay Gould asked for a railway franchise or Mr. Havemeyer asked for an extra tax on sugar.

The whole question involved in this matter is, whether we will do as every chemist does, as every learned man does when he investigates any question, whether we will resolve the proposition into its prime factors, or whether we will be content to puzzle ourselves and admit our defeat by abandoning our enterprise.

The banking business ought to be as free as the grocery business. If I wish to borrow someone's credit or wish to loan my credit that is no one's business except the individual's with whom I deal; but if I wish to issue money, if I wish to issue that which the law will recognize as a
legal discharge of a legal obligation, then I am asking for the privilege of exercising sovereign power, and I nor anyone else ever asked the government for anything except for our own individual profit. No pretense of philanthropy can back any such scheme successfully where it is fairly, honestly, and exhaustively analyzed.

Mr. W. H. Harvey: I have a kindly feeling for the bankers as individuals, but it is the tendency, growing out of their special study to promote their own interests, unconsciously to gain an advantage, to which I object to. In Denver there was an organization of business men. All the bankers in Denver belonged to it and most of the wholesale and prominent business men. Their object was to beat a certain man for governor. They did it, and after the election was over they petitioned that same governor, who was the only governor in the United States who has ever run gamblers out of the city in which he lived, to allow the gamblers to come back, on the ground that they could make money by doing it. Morals were to suffer to make money.

The gold standard has been fastened upon us in the interest of the money lenders of this country, and this bankers' plan has been brought forward upon the same principles that the bankers in Denver petitioned Governor Waite to let the gamblers come back on—that they might make money out of it. A gentleman has said that the banks want prosperity, that they want to use their money. The sugar trust, the oil trust, and all other trusts, want prosperity on the same principle. They want the people to be prosperous that they may use their goods, but that does not prevent Mr. Havemeyer from going to Washington and pressing for a special privilege before the United States congress, just as the bankers are now preparing to make a raid on that same congress. Mr. Havemeyer was forced to say before the investigating committee that his company had given the same amount of boodle to the national campaign committees of both the political parties. He wants prosperity among the people, but first he wants the prosperity of his trust; and the bankers want prosperity among the people, but first they want their prosperity; and it is by the promptings of unconscious greed in pressing for special privileges for themselves that they unconsciously step upon the great mases of the people and their interests.

How can we have prosperity in this country when the interest paid to the banks and money lenders of this country annually is more than the total money supply of the nation? The people are parting with their money and it is going to the money centers. They can sell nothing at a profit to get it back. It is piling up, and for the first time in the history of the United States we have paralleled the history of France at the time of the Revolution. The interest upon the product of a certain business, a non-producing business, is so great that it is absorbing the products, the money of all the producing classes. Money is the blood of commerce. It is the blood of civilization, and these men are drawing it away from the people.

Ninety-five per cent. of the exchanges of this country is done without money, we hear. That, as applied to the science of money, is a fallacy with which the people have been misled for years. When a man draws his check he must have as much money in bank as his check calls for. A check will start out in a day and pay six or seven debts and finally land in the bank where the money is that redeem it, but the same amount of money could have started on the rounds and paid the same six or seven debts and landed in the bank at night. The expansion of money by the use of checks is only in this way: a bank, say with a capital of one million of dollars, with one million of dollars deposited, can reduce the amount in bank, under the check system, to say, three or four hundred thousand dollars. That is the only way it expands it; it does not expand it ninety-five per cent.; and the expansion of credit money by the use of bills of exchange only emphasizes the importance of primary money, money of ultimate payment.

The government, they say, should be divorced from the banking business. Mr. White made that proposition very clear that banking and the issue of money are two distinct things. The proper province of a bank is deposit and discount; not to usurp the functions of government by making money. The constitution says that congress alone can make money of gold and silver. It says congress may make money of gold and silver and fix the value, and that no state shall use any legal tender other than gold or silver. The banks, pressing for special privileges, usurp the functions of the government.

I know of a very prominent gentleman who was sent by the bankers of New York City to the island of Santo Domingo to arrange and put their currency system on a good basis. These bankers of New York City have secured from that poor, ignorant and enslaved island the special privilege of issuing their money and collecting their taxes, and the prominent gentleman to whom I allude went there in the great state in which all great money-lenders could send him, and approved of all this and told them how beggared and cheap silver was and to keep it out of their currency. That gentleman is the gentleman who will reply to me in a few minutes.

Professor: I am glad to have so gorgeous a picture raised before you at the moment I rise from the table. It was an unfortunate allusion to Santo Domingo that the gentleman made. They had had the silver money for many years. They had had nothing else but the Mexican dollar, and the day I landed on the north coast of Santo Domingo prices within the last thirty days had gone up thirty per cent., exchange was rattling up and down like a crazy cat up and down stairs, and business was at an absolute suspense. The country was in a state of collapse with this kind of money. The common people—not the bankers—the common people of Santo Domingo, found that under this system, having a certain kind of money, prices were going up and their wages and the amount they would buy were being reduced. The bank-
ers of the island, the people who dealt in exchange, who made a profit on the fluctuations in exchange were the men who wanted the system to remain the same. In the interest of prosperity, in the interests of the laborers of the island, it was proposed to give them a kind of money that would have the same value in their island that it had in New York, in London, in Paris, or Havre, or Hamburg, where they sold their products. Those people who went there to arrange a system of currency, and in regard to which I had the honor to advise them, went there in the interest of the prosperity of the island. The system proposed was one to assist in bringing about prosperity, and, I take it, was adopted for the same purpose that they propose a similar system here, that we shall have a stable, unchangeable, unvarying standard in any place where business men want to be able to calculate things ahead at least ten days.

It seems to me that there exists in this country and everywhere a most extraordinary prejudice—I must confess that it must be based only on ignorance—of what the banking business is. I venture to explain in brief what a bank is. It is no other kind of institution than a store which sells hardware or corn. It has its legitimate function in business, just as an express company has it. It buys and sells something. It gets a profit because it buys a debt payable at the present moment. Its profit is there and nowhere else. It does not make its profit on the issue of notes. I ask any man on this footstool to prove the contrary. Any man who knows anything about banking, who knows anything about business, knows that this is true; and it does not help the argument to start a tirade of talk about banks, because it simply shows absolute ignorance of what a bank is.

Most of the objections made against the Baltimore plan and the general discussion of currency here have been based upon the insufficient of the supply of gold. The total stock of gold, according to authorities most quoted by our friends, which existed in 1859, before the discovery of gold in California and Australia, amounted at the outside to three thousand millions of dollars. Since 1859 there has been produced as much gold as was produced from the discovery of America in 1492 to 1850—three hundred and fifty-seven years. In the last forty years we have produced an amount worth about fifty-three hundred millions of gold against the stock in existence in 1859 of about three thousand millions.

When you go through the statistics of Adolph Soetbeer, the great statistician of Germany, on the product of gold and silver—you might take Malthus, you might take any other authority—the difficulty is to discover what has become of the gold. In the last statement of the amount of gold in all the currencies of the world, even including such countries as Japan, the total amount of gold amounted to about thirty-five hundred millions. Now, we had in existence in 1850 at least two thousand millions of gold. We have produced since 1859 fifty-three hundred millions of gold. We have to account for nearly eight hundred million of gold that we cannot find in the currency of the world. There is more gold to-day in the currency of the world than there has ever been at any time in history.
eighty million dollars. It strikes me that that is a large interest on five hundred million.

Mr. Harvey: You misunderstood me, I said five thousand million.

The Chairman: Another thing he said was that the entire net earnings of the country were absorbed by the bankers for interest. The products of this country amount to sixteen thousand millions, while the entire capital employed in the national banks is from six hundred to ten thousand millions. It strikes me that would be a very large rate of interest.

Mr. Harvey: I said the products of production went to them.

A Member: You, Mr. Chairman, are a banker. I am a silver man, and I want to say in behalf of the silver men here that our remarks in reference to bankers have not been personal.

The Chairman: My friend, the silver man, reminds me of a story. I was out west not long ago and I met a friend who lives in Kansas and he was telling me about the excitement over the free coinage of silver. He said that a man died out there whom nobody seemed to know. The funeral was held. A minister read a few passages from the Bible and offered a prayer and then he asked if there was anyone in the audience who knew the deceased and wanted to make any remarks. No one arose for a moment, but finally a long, lank, long-haired fellow arose in the back part of the audience, and said, "If no one wants to occupy the time in speaking of the deceased, I would like to make a few remarks upon the free coinage of silver." 

Adjourned.

Philip S. Post, Jr.,
Secretary.
Object
To foster rational good fellowship and tolerant discussion among business and professional men of all classes.

Requirements for Membership
Any genial and tolerant fellow may become a member on approval of the Executive Committee.

Programme
A dinner every other Thursday at six o'clock, followed by short talks upon a subject previously announced by the Secretary.

Expenses
The only expenses incident to membership in the Sunset Club are an annual assessment of three dollars for stationery, printing, etc., and one dollar and a half for each dinner partaken of.
Declaradon of
Principles

No Club House
No Constitution
No Debts
No Contribution

No Long Speeches
No Dress Coats
No Late Hours
No Perfumed Notes

No Accounts
No Defalcations
No By-Laws
No Stipulations

No Parliamentary Rules
No Personalities
No Dudes
No Mere Formalities

No Profanity
No Fines
No Stealing
No Combines

No Preaching
No Dictation
No Dues
No Litigation

No President
No Bores
No Steward
No Encores

No Gamblers
No Dead Beats
No Embezzlers
From Foreign Retreats

No Meanness
No Vituperation
Simply Tolerant Discussion
And Rational Recreation
Professor Laughlin to the Doctors of Philosophy

AN ADDRESS

AT THE ANNUAL MEETING OF THE ASSOCIATION IN JUNE, 1916, IN CONNECTION WITH THE QUARTER-CENTENNIAL CELEBRATION.

UNIVERSITY OF CHICAGO
Professor Laughlin to the Doctors of Philosophy

Perhaps it will be allowed me to discuss with you for a few minutes some problems of the young scholar in the United States; for the problems of the Doctor are practically those of the scholar. In the widest sense, they raise the old questions of idealism versus materialism: to vow one's self to scholarship means renouncing "the world, the flesh and the devil," a dedication unto the hopeful, but often disappointing search for the unknown. On the shining brow of the young scientist there should be the same glow as that which transfigured the face of Sir Galahad when he set out, uplifted in heart and purpose, to search for the Holy Grail.

Whatever the elevation of purpose, however, we must face the matter of preparation. In scholarship, as in war, he who is prepared is favored by the Gods. How are scholars made? The only factories are our universities. This inevitably brings us face to face with opinions as to what the University should be. In these days the mobilization of educational resources in any great university involves such questions of administration that executive ability of a high quality is as essential in a faculty as in the departments of a great business concern. Men must, therefore, be found in our membership who are not distinguished as scholars; and such men may not even be good teachers. Again, in this country, it goes without saying that the teaching function of the college cannot be wholly separated from the higher activities of the University. Men never can be fitted for research, the highest function of the university, without first passing through the systematic accumulation of knowledge and getting a seasoning of intellectual fibre to be obtained only under good teaching in the secondary school and the college. I doubt if the teaching function can ever be much reduced in the university. It is the condition precedent to final achievement in research; for the inspiration to the possible student investigator usually comes through the medium of highly successful teaching. This opinion of mine may not be in accord with that which decries teaching because it hinders investigation. And yet I fully believe research to be not only the most important, but indeed the highest function of the university—the brightest jewel in its crown.

It is a question as to what we mean by teaching. In the development of investigators some men, who are not themselves effective producers, are very successful in sending out men who are producers. If by teaching we mean guidance to the nascent investigator, then teaching is directly necessary to research. In the usual lament, that the drudgery of teaching stifles research, reference is undoubtedly had to the heavy work of introductory teaching and the time-consuming reading of students' papers and reports. Here is one of the serious problems of the young scholar. The fabric of the educational system that leads up to the heights of research and discovery necessarily requires much teaching of a fundamental character. If it is preparation of the student for the final achievements of scholarship. To many a trustee a university should be created for the professors, and success is measured by the numbers of students; to many a professor a university should be created for the professors and success is often measured by the leisure allowed for study. To others, a university is a place consciously organized so that by constant tests, gradation and selection, a few chosen persons may be evolved competent to carry on the highest tasks of re-

*Given at the meeting of the Association of Doctors of Philosophy in connection with the Quarter Centennial Celebration, June 6, 1916.
search and discovery. In short, the recipe for stimulating investigation is first catch your carp, first find the man capable of investigation. To some a splendid laboratory seems to give the man a sense of importance; but the real man of research gives the laboratory importance. Big thinking may go on in a very small room.

II

Perhaps my only qualifications for speaking to you today are that I am old enough—or young enough—to bridge with my memory the whole doctoral history in this country. It seems to be well established that I was part and parcel of the first seminar work in our universities, and among the first Ph.D’s. Before Johns Hopkins University was established in 1876, three of us—of whom one was the present Senator Lodge of Massachusetts—had been engaged in research under Henry Adams, the Historian, and we were made doctors at Harvard in 1876. The light literature which resulted from our investigations was contained in a volume called “Anglo-Saxon Law.”

With you have I trod the typical path of all doctors, who had to begin with a salary less than a policeman’s. I wonder how many of us feel like describing that wearisome path from five hundred dollars a year to an assistant professorship in these words of Milton: “Long is the way, And hard, that out of hell leads up to light.”

A president who was able to raise the salaries of learned young doctors was a very Jehovah on a golden throne, whose locks of one thousand braid threats—before whom we stood, wistful scolds of learning, with the dust of libraries on our brows.

Certainly one thing came prominently forth from my doctoral training. Never afterwards could I balk at work because it was hard. The lesson of persistence in getting materials at no matter what cost of time or labor was learned, never to be forgotten. In a study of the origins of English law and institutions, I was never supposed to whimper at rereading the whole body of Anglo-Saxon laws six times in a search for procedural methods from feud to jury; or to pore over twenty-five thousand pages of capitularies in medieval Latin. Never since has any task seemed impossible.

We young doctors must have been interesting to onlookers. We supposed that the whole world was watching us. We were distinguished in most cases by a big pipe in our mouths, a large sense of condescension to the non-doctoral universe, and by the air of great candor which obliged us, solely in the interests of truth, to indicate that we were in the line of direct descent from Minerva. We might well have been admonished to “Tarry at Jericho until our beards are grown.”

There was the sort fresh from German knaps, greatly respected, “For he by geometric scale Could take the size of pots of ale.”

But how many of us, having gone forth with the morning dew on our shining armor, have come back after long days with the cup? What a lot of rusty, dinted old harness is scattered along the doctoral highway!

If many of us have fallen short of our early promise, it is probably due to a loss of our inspiring vision. There are two possible reasons for such failures. First, in our egotism we thought we were investigators, when really we were not. For the advance of research there is nothing so obdurate, and nothing so productive as humility. Learning is an essential to a teacher whose function it is to impart knowledge; but, as we all agree, education is not information. To collect the learning of others may impress the ignorant; but it is not research. To succeed in research one must have extended the boundaries of human knowledge, discovered a new principle, conquered the unknown. Sometimes the investigator comes with awe into the presence of a new truth. One day a young man came out of his laboratory, a new and strange expression on his face, and said, “Today I have just seen something that no man has ever seen before.”

Columbus on the deck of his ship, when the dim coast line of America rose over the sea, could not have had a nobler thrill of discovery. Indeed, the uncharted seas of science today offer as many prizes of discovery as ever before in history.

It is a well-recognized fact that many persons seek and often obtain the doctorate merely for the purpose of increasing their revenue as teachers. These never had the vision, and never will be discoverers of truth. Our real interest is in the picked few. It remains true in research, as in the church, that “Many are called, but few are chosen.”

III

Failures, however, are more often ascribable, in the second place, to what may be called economic reasons. Before he has fairly mounted on his journey, the young doctor has added unto himself the burdens of a family. If never before, he must now exert himself to the utmost to be a breadwinner. Then comes the situation which has become so familiar to us all—and I suppose, to every University president. The would-be scholar finds himself of necessity taking on routine teaching as a means of income; while the less gifted soon give up the hope of research, and the gifted few chafe against the bars of repressive drudgery. Constantly hoping to find out a way of research while still earning a living. In short, even with the flower of young scholars, the problem is to earn a living and yet to cling to the ideals of research.

It must be frankly admitted that, if he has had obligations thrust upon him, it is his first duty to earn a living. That duty every man must face. But not infrequently a young idealist, full of his vision, feels that the world owes him a living. In spite of the burden, he himself has voluntarily assumed in order that he may be free to hunt in the unknown fields of knowledge. Bitterly—but quite naturally—he is inclined to assail his University as unappreciative of the investigator; and his heart grows heavy.

It will not, I hope, be regarded as brutal to say plainly that if the will to produce is in us no power in heaven or earth can keep it down. No drudgery of teaching kept Moody from expressing himself; nor Ricketts from penetrating to the secrets of disease. And as to Shorey, no drudgery of teaching could prevent him, on receipt of a telegram, from packing his valise and in twenty-four hours beginning a course of twelve lectures in Boston on the “Eloquence of the Diastole in the Poems of Pushkin.” If the divine fire burns within us, it must come forth somewhere, somehow. When one says life is too distracting, too noisy, for the serious work of production, he is publishing his own inadequacy. Was it not Chesterton who said, in reference to this matter when men complained of an unsympathetic environment, that Bacon, and Shakespeare turned out their products as naturally and easily as we perspire? If a young scholar feels the inner surge to produce, let him somehow give a sample product by which he may be rated. It has been said of Jacobus Loeb that if he were cast away on a coral reef with only a shoestring and a collar button, he would probably soon be producing sea urchins, or frogs, by parthenogenesis.

IV

There is, to be sure, another and economic side to this matter. The price of a scholar is not difficult to explain. If scholars of the productive type are scarce, they “come high”; they occupy a
monopoly position as truly as the successful captain of industry. Moreover, the inferior than the heresy of today. The scholar who penetrates into the unknown must be content to be lonely; not infrequently he is obliged to go without a publisher. To be unappreciated, to be unpopular, is the part of the scholar who finds himself in antitagonism to some illogical, but accepted opinion of the day. Hence it may be said that

"Learning hath gained most by those books by which the printers have lost."

Not only are men of research scarce, but their value to the University is infinite. The productive scholar is the one every University is seeking. At the time when President Jordan was gathering his faculty at Stanford, he wrote me on hearing of my coming to Chicago:

"If a few more universities are established the position of a professor will soon become respectable, even in the eyes of the richest trustees." But, if scholars are in such demand, why is there any complaint as to their economic conditions?

The truth is that a would-be teacher—like a horse—is not always what he seems. To invest in a professor is as much a gamble as to buy a horse. After being permanently corralled he is apt to lose speed, and to develop unexpected peculiarities. A university should have to be as experienced a Kentucky breeder in picking promising colts. When a scholar has arrived, it is easy enough for an institution to know that he is a desirable man to have.

We come to see, then, that a young scholar cannot expect to be discovered until he has somehow indicated his quality; but that, on the other hand, a very great responsibility rests upon the university to be keen in recognizing the productive quality early in life, to nourish and feed it, and be proud to give it that environment which will encourage production and thereby greatly honor the University. For, after all, the institution that is putting forth a growth of research at the top is the only institution that is really alive. If it is content to teach merely the accumulated learning and results of others, and itself to put out no new growth, it is really dead.

Therefore, if productive scholars are not easy to find, and yet are absolutely essential to a live university, I may be permitted to suggest some practical means for mending the ills we now endure. Many men of promise have been crushed by untoward conditions of poverty. There are some trees that rise splendidly to heaven because they are planted in good soil and are favored by sun and rain; others of the same species are stunted and knarled by an evil environment. So it is with scholars: most sensitive of all plants to kindly influence. What can be done by the university to find the stock true to species and give it its full growth?

Without doubt, endowment funds should be set aside for the purpose of freeing men capable of research from the drudgery of elementary teaching. But—keeping in mind the frailties of human nature—these funds should be transferred from one man to another, and not given permanently to one. If a promising investigation were disclosed, such a man could be encouraged; if the promise failed of fulfillment, the man was not the one to be encouraged. Thus could be devised a practical means of discovering which of the many aspirants for research were fit for further trial. By some such method as this, without doubt, the university could gradually build up a corps of effective producers. Then, certainly, if the producer is found, the duty—and the ambition—of the University is clear. An investment in productive men is the highest possible use of the University's funds. The creation of a permanent

fund to be devoted to the encouragement of research, gradually accumulated or enlarged by gift, is the one clear sign by which an enlightened and progressive university may be known. To such an institution will come the pick of ambitious graduate students from everywhere.

Doubtless rich in investigators and in students of ability who are worthy of attention, then indeed will science grow from more to more in that place of learning.

V

In these past twenty-five years much has been done; more remains to be done. In many directions encouragement has been given to research; but, while emphasis has been put upon good teaching—and teaching should aim to develop character and good form as well as the mind—would we not make even more progress in the future if greater emphasis were placed on the methods of trying out promising producers, and making possible to the gifted few the highest university distinctions?

We are turning out increasing numbers of mediocre doctors. They are too often given a degree for the careful collection of the learning of others. Very soon the degree of Ph.D. will have—as it may already have—gained the connotation of the routine A.M. degree. Some means should be found for separating collectors of learning from the productive investigators.

To some of us who have nearly reached the end of an academic career, there is much of inspiration and cheer on an occasion like this. About to leave the stage and turn our faces to the sunset, we pause here a moment to look back to the sunrise; and out of the morning is seen the long line of young scholars sweeping on to the present hour, afeared to take up the tasks of scholarship we are leaving, and to carry forward the work of research far beyond our own expectation.

—Ivone Salutat
Professor Laughlin to the Doctors of Philosophy

AN ADDRESS

AT THE ANNUAL MEETING OF THE ASSOCIATION IN JUNE, 1916, IN CONNECTION WITH THE QUARTER-CENTENNIAL CELEBRATION.

UNIVERSITY OF CHICAGO
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Whatever the elevation of purpose, however, we must face the matter of preparation. In scholarship, as in war, he who is prepared is favored by the Gods. How are scholars made? The only factories are our universities. This inevitably brings us face to face with opinions as to what the University should be. In these days the mobilization of educational resources in any great university involves such questions of administration that executive ability of a high quality is as essential in a faculty as in the departments of a great business concern. Men must, therefore, be found in our membership who are not distinguished as scholars; and such men may not even be good teachers. Again, in this country, it goes without saying that the teaching function of the college cannot be wholly separated from the higher activities of the University. Men never can be fitted for research, the highest function of the university, without first passing through the systematic accumulation of knowledge and getting a seasoning of intellectual fibre to be obtained only under good teaching in the secondary school and the college. I doubt if the teaching function can ever be much reduced in the university. It is the condition precedent to final achievement in research; for the inspiration to the possible student investigator usually comes through the medium of highly successful teaching. This opinion of mine may not be in accord with that which decrees teaching because it hinders investigation. And yet I fully believe research to be not only the most important, but indeed the highest function of the university—the brightest jewel in its crown.

It is a question as to what we mean by teaching. In the development of investigators some men, who are not themselves effective producers, are very successful in sending out men who are producers. If by teaching we mean guidance to the nascent investigator, then teaching is directly necessary to research. In the usual lament, that the drudgery of teaching stifles research, reference is undoubtedly had to the heavy work of introductory teaching and the time-consuming reading of students' papers and reports. Here is one of the serious problems of the young scholar. The fabric of the educational system that leads up to the heights of research and discovery necessarily requires much teaching of a fundamental character. It is preparation of the student for the final achievements of scholarship. To many a trustee a university should be created for the professors, and success is measured by the numbers of students; to many a professor a university should be created for the professors and success is often measured by the leisure allowed for study. To others, a university is a place consciously organized so that by constant tests, gradation and selection, a few chosen persons may be evolved competent to carry on the highest tasks of re-

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search and discovery. In short, the real Latin student is the investigator first catch your carp; first find the man capable of investigation. To some splendid laboratory seems to give the man a sense of importance; but the real man of research gives the laboratory importance. Big thinking may go on in a very small room.

II

Perhaps my only qualifications for speaking to you today are that I am old enough—or young enough—to bridge with my memory the whole doctoral history in this country. It seems to be well established that I was part and parcel of the first seminar work in our universities, and among the first Ph.D.'s. Before Johns Hopkins University was established in 1876, three of us—of whom one was the present Senator Lodge of Massachusetts—had been engaged in research under Henry Adams, the Historian, and we were made doctors at Harvard in 1876. The light literature which resulted from our investigations was contained in a volume of "Anglo-Saxon Law." With you I trod the typical path of all doctors, who had to begin with a salary less than a policeman's. I wonder whether you can feel the describing that wears sheep from five hundred dollars a year to an assistant professorship in these words of Milton:

"Long is the way, and hard, that out of hell leads up to light."

A president who was able to raise the salaries of learned young doctors was a very Jehovah on a golden throne, whose locks glowed like a thousand searchlights before whom we stood, wistful acolytes of learning, with the dust of libraries on our brows. Certainly one thing came prominently fore and during my doctoral training. Never afterwards could I bulk at work because it was hard. The lesson of persistence in getting materials at no matter what cost of time or labor was learned, never to be forgotten. In a study of the origins of English law and institutions, I was never supposed to whimper at rereading the whole body of Anglo-Saxon laws six times in a search for procedural methods from feud to jury; or to pore over twenty-five thousand pages of capitulaires in medieval Latin. Never since has any task seemed impossible.

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If many of us have fallen short of our early promise, it is probably due to a loss of our inspiring vision. There are two possible reasons for such failures: First, in our egotism we thought we were investigators, when really we were not. For the advance of research there is nothing so deadly as conceit, and nothing so productive as humility. Learning is an essential to a teacher whose function it is to impart knowledge; but, as we all agree, education is not information. To collect the learning of others may impress the ignorant; but it is not research. To succeed in research one must have extended the boundaries of human knowledge, discovered a new principle, conceived the unknown. Sometimes the investigator comes with awe into the presence of a new truth. One day a young man came out of his laboratory, a new and strange expression on his face, and said, "Today I have just seen something that no man has ever seen before." Columbus on the deck of his ship, when the dim coast line of America rose over the sea, could not have had a nobler thrill of discovery. Indeed, the uncharted seas of science today offer as many prizes of discovery as ever before in history.

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III

Failures, however, are more often ascribable, in the second place, to what may be called economic reasons. Before he has fairly mounted on his journey, the young doctor has added unto himself the cost of his outfit, and if he is never before, he must now exert himself to the utmost to be a bread-winner. Then comes the situation which has become so familiar to us all—and I suppose, to every University president. The would-be scholar finds himself of necessity taking on routine teaching as a means of income; while the gifted are often give up the hope of research, and the gifted few, despite the work of repressive drudgery, constantly hoping to find out a way of research while still earning a living. In short, even with the flower of young scholars, the problem is to earn a living and yet to cling to the ideals of research. It must be frankly admitted that, if he has had obligations thrust upon him, it is his first duty to earn a living. That duty every man must face; but let him not infrequently be a young idealist, full of his vision, feels that the world owes him a living, in spite of the burdens he himself has voluntarily assumed in order that he may be free to hunt in the unknown fields of knowledge. Blithely—but quite naturally—he is inclined to assail his University as unappreciative of the investigator; and his heart grows heavy.

It will not, I hope, be regarded as brutal to say plainly that if the will to produce is in us no power in heaven or earth can keep it down. No drudgery of teaching kept Moody from expressing himself; nor Dickens from penetrating to the secrets of disease. And as to Shorey, no drudgery of teaching could prevent him, on receipt of a telegram, from packing his valise and in twenty-four hours beginning a course of twelve lectures in Boston on the "Ebbloscence of the Diastole in the Poems of Pausani." If the divine fire burns within us, it must come forth somehow, somehow. One says life is too distracting, too noisy, for the serious work of production, he is publishing his own inadequacy. Was it not Chesterton who said, in reference to this matter when men complained of the environment, that Bacon, and Shakespeare turned out their products as naturally and easily as we perspire? If a young scholar feels the inner surge to produce, let him somehow give a sample product by which he may be rated. It has been said of Jacques Loeb that if he were cast away on a coral reef with only a shoeing and a collar button, he would probably soon be producing sea urchins, or frogs, by parthenogenesis.

IV

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monopoly position as truly as the successful captain of industry. Moreover, the insight into truth is often the heresy of today. The scholar who penetrates into the unknown must be content to be lonely; not infrequently he is obliged to go without a publisher. To be unappreciated, if not to be unpopular, is the part of the scholar who finds himself in antagonism to some illogical, but accepted opinion of the day. Hence it may be said that

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The truth is that a would-be teacher—like a horse—is not always what he seems. To invest in a professor is as much a gamble as to buy a horse. After being permanently corralled he is apt to lose speed, and to develop unexpected peculiarities. A university should have to be as experienced as a Kentucky breeder in picking promising foals. When a scholar has arrived, it is easy enough for an institution to know that he is a desirable man to have.

We come to see, then, that a young scholar cannot expect to be discovered until he has somehow indicated his quality; but that, on the other hand, a very great responsibility rests upon the university to be keen in recognizing the productive quality early in life, to nourish and feed it, and be proud to give it that environment which will encourage production and thereby greatly honor the University. For, after all, the institution that is putting forth new growth of research at the top is the only institution that is really alive. If it is content to teach merely the accumulated learning and results of others, and itself to put out no new growth, it is really dead.

Therefore, if productive scholars are not easy to find, and yet are absolutely essential to a live university, I may be permitted to suggest some practical means for mending the ills we now endure. Many men of promise have been crushed by untoward conditions of poverty. There are some trees that rise splendidly to heaven because they are planted in good soil and are favored by sun and rain; others of the same species are stunted and knarled by an evil environment. So it is with scholars most sensitive of all plants to kindly influence. What can be done by the university to find the stock true to species and give it its full growth?

Without doubt, endowment funds should be set aside for the purpose of freeing men capable of research from the drudgery of elementary teaching. But—keeping in mind the frailties of human nature—these funds should be transferred from one man to another, and not given permanently to one. If a promising investigation were disclosed, such a man could be encouraged; if the promise failed of fulfillment, the man was not the one to be encouraged. This could be devised a practical means of discovering which of the many aspirants for research were fit for further trial. By some such method as this, without doubt, the university could gradually build up a corps of effective producers. Then, certainly, if the producer is found, the duty—and the ambition—of the University is clear. An investment in productive men is the highest possible use of the University's funds. The creation of a permanent fund to be devoted to the encouragement of research, gradually accumulated or enlarged by gift, is the one clear sign by which an enlightened and progressive university may be known. To such an institution will come the pick of ambitious graduate students from everywhere. Doubly rich in investigators and in students of ability who are worthy of attention, then indeed will science grow from more to more in that place of learning.

V

In these past twenty-five years much has been done; more remains to be done. In many directions encouragement has been given to research; but, while emphasis has been put upon good teaching—and teaching should aim to develop character and good form as well as the mind—would we not make even more progress in the future if greater emphasis were placed on the methods of trying out promising producers, and making possible to the gifted few the highest university distinctions?

We are turning out increasing numbers of mediocre doctors. They are too often given a degree for the careful collection of the learning of others. Very soon the degree of Ph.D. will have—as it may already have—gained the connotation of the routine A.M. degree. Some means should be found for separating collectors of learning from the productive investigators.

To some of us who have nearly reached the end of an academic career, there is much of inspiration and cheer on an occasion like this. About to leave the stage and turn our faces to the sunset, we pause here a moment to look back to the sunrise; and out of the morning is seen the long line of young scholars sweeping on to the present hour, alight to take up the tasks of scholarship we are leaving, and to carry forward the work of research far beyond our own expectations.

—Hews Salutat.
SCHEME FOR THE DEPARTMENT OF POLITICAL ECONOMY AND FINANCE IN CORNELL UNIVERSITY, PRESENTED TO THE BOARD OF TRUSTEES.

I.

In view of the arrangement of courses for the coming year, (1891–2,) careful consideration should be given to the opportunities afforded by this department. The subjects treated are essential parts of the civic education of every member of society. Apart from their disciplinary value, their practical character would alone make it natural that the curricula of such schools as those of Agriculture, and of Mechanic Arts, should be enriched by including in them economic courses. This policy has already been announced by the statement in the University Register that Political Economy shall be hereafter made a part of the course of Civil Engineering. When regard is had to the prevailing ignorance of economics and its effect on national legislation, the wisdom of this policy is undoubted. The question might even be raised whether it were not advisable to require Political Economy of all students in the various courses, quite as much as History, or Chemistry. I cannot think, however, it is of advantage to the the influence of a study to make its pursuit obligatory; but there cannot, I suppose, be any difference of opinion as to the wisdom of providing the proper amount of instruction, when the study of it is voluntary, and when the numbers of students are too great, (as is now the case,) to be properly cared for by the single professor.

II.

In extending the reputation and prestige of Cornell University, no possible investment of its funds would, in my judgment, produce larger or earlier fruit than those spent in enlarging the work of this department. Such a policy would, at once, lend aid in educating the country where it most needs education, and bring here greater numbers of bright students who want economic train-
The real University is to be found in the men it trains, and in the influence they exert on the community.

The deplorable ignorance and prejudice regarding economic questions of great practical importance, (such as banking and currency topics,) in the very regions from which we now draw our students, and must hereafter draw them in increasing numbers, makes the duty, as well as the opportunity, of our University, one of transcendent importance. Can it rise to the occasion? It is entirely within the truth to say that no such opportunity is open to us in any other branch of study. Furthermore, no other institution in our country is, at present, so well situated as Cornell University for doing a great and striking work in economics. If we accomplish this work, we can secure a strong hold on the people, and an enviable repute for enthusiastic, enterprising scholarship on subjects touching the immediate welfare of every individual citizen.

The mere fact of having had this exceptional opportunity for twenty years, and not having used it, (excepting one year,)—although there may be good reasons for it—has created a widespread belief elsewhere in our lack of interest and purpose in aiding economic study. To take only a second-rate position, therefore, or to do only moderately well, will not be enough to place us in a proper attitude before the public. Nor will it do to act so slowly that the growth of the department, however real, may be imperceptible to the outside world. In short, to produce the desired effect we should, if possible, draw the attention of the country to us by a striking and important movement; and it will be easy to make it striking and effective, because it is started in a subject which is occupying general attention. To indicate what form this movement should take is, in my opinion, the proper purpose of this communication. It has consequently seemed best to present a scheme of work for the department in as nearly complete a form as possible; a scheme, which shall be more thorough, more comprehensive, more scholarly than that presented by any other university. If adopted, it may then be said that greater advantages for economic study are offered at Cornell University than at any other American university. That a distinct opportunity exists for us, any member of an economic department in other institutions would be the first to admit. Our apathy in this matter has, in the past, excited some comment and surprise.

The discussion regarding the neglect by this University of liberal studies in favor of the professional and technical schools, might suggest the present as a favorable opportunity to disabuse the public of that mistaken idea, by adopting this scheme for enlarging the department of economics; for, while appealing to those who believe in an intensely practical education, economics in truth belongs, because of its disciplinary power, to the culture studies. Should the Fayweather bequest be received, may it not be the means, by concentrating its use on one field, of making a striking movement which would command public attention?

III.

I present herewith a list of courses which, if provided, would place this department ahead of any other in America. This is then followed by a comparison of the proposed scheme with the courses offered at Harvard, Yale, Columbia, Johns Hopkins, Pennsylvania, and Michigan. The courses run throughout the year, at the given number of hours per week:

1. Introductory course. Principles of Modern Economics. Elementary Banking. Descriptive economics: Money, cooperation, bimetallism, railway transportation, etc. 3 hours a week. [At present, two sections, requiring of the instructor six hours a week.]

2. Advanced course. History of Economic Theory. Examination of writers and systems. Critical Studies. Open only to those who have passed in course 1. 3 hours a week.

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With the material already in sight that sum would not be sufficient; but it would, so far as it goes, send the name of the University into every centre of scholarly work in this country and in Europe. Still better, it would do more than any other one thing to stimulate the work of our students, and to produce finished and accurate scholarship; while the practical bearing of these studies
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The fixing of a high standard of work by students in the department; the encouragement of capable young men to carry on their studies beyond mere superficial work; a relief to poor, but able, men from subsidiary employments to earn a living while engaged in investigations; a means of drawing here from other institutions the brightest men who have distinguished themselves in economics; and, to provide for investigators, who will present their results to the public and enlarge the repute of the University for scholarly work both at home and abroad—all these things can be effected only by the creation of fellowships and scholarships in this department. Five (5) fellowships, permitting the holders to reside either at the University, or abroad, with an annual income of $500 each; and four (4) scholarships, with an annual income of $250 each, are urgently needed.

VI.

The library is deficient in important collections and series, which are absolutely essential to economic research; and which are possessed by other institutions. In other places these deficiencies are supplemented by access to neighboring libraries (e.g., at Columbia College, by the Lenox and Astor Libraries; at Harvard University, by the Boston Public Library and the Athenæum). Our absolute isolation requires that we should own these important collections outright. We have, for example, none of the British Government Publications (the "Blue-Books"), a complete set of which is very expensive; nor those of France, or Germany, whose statistical work is exceedingly valuable. Of the various European economic journals, by which we may keep abreast of current thinking, we have almost none. It is a hindrance which would be regarded as intolerable in Physics, Chemistry, or Philology. In short, the department needs a special annual grant of $2,000 for at least five (5) years (beyond the present and expected allowance of next year for this department) to bring it to a respectable basis, as compared with other departments. Detailed accounts of these wants can be given, if needed.

VII.

SUMMARY.

The Board of Trustees is respectfully asked to grant an annual appropriation to this department of the following sums:

Additional instruction,
One Associate Professor, .................. $2,000
One Assistant Professor, .................. 1,600
Two Instructors at $1,000 each, .......... 2,000
Four Fellowships at $250 each, .......... 1,000
Fellowship Fund, .......................... 1,000
Books (for five years), .................. 2,000

Total, .................................... $12,000
With this grant, it is quite certain we can produce results which are not now possible in any university in this country. Our department of economics will then be the first in the United States,—one of which every friend of Cornell can speak with pride. Especially will it mark an epoch in the history of economic training in this country, and bring Cornell to the front in an important subject of universal, and yet practical, concern. The University is not rich enough to permit any other institution to seize the opportunity for which she herself has so evident an advantage, and for which she so evidently occupies a strategic position.

Very respectfully presented by

J. LAURENCE LAUGHLIN,
Professor of Political Economy and Finance.

March 2, 1891.
SCHEME FOR THE DEPARTMENT OF POLITICAL ECONOMY AND FINANCE IN CORNELL UNIVERSITY, PRESENTED TO THE BOARD OF TRUSTEES.

I.

In view of the arrangement of courses for the coming year, (1891-2,) careful consideration should be given to the opportunities afforded by this department. The subjects treated are essential parts of the civic education of every member of society. Apart from their disciplinary value, their practical character would alone make it natural that the curricula of such schools as those of Agriculture, and of Mechanic Arts, should be enriched by including in them economic courses. This policy has already been announced by the statement in the University Register that Political Economy shall be hereafter made a part of the course of Civil Engineering. When regard is had to the prevailing ignorance of economics and its effect on national legislation, the wisdom of this policy is undoubted. The question might even be raised whether it were not advisable to require Political Economy of all students in the various courses, quite as much as History, or Chemistry. I cannot think, however, it is of advantage to the the influence of a study to make its pursuit obligatory; but there cannot, I suppose, be any difference of opinion as to the wisdom of providing the proper amount of instruction, when the study of it is voluntary, and when the numbers of students are too great, (as is now the case,) to be properly cared for by the single professor.

II.

In extending the reputation and prestige of Cornell University, no possible investment of its funds would, in my judgment, produce larger or earlier fruit than those spent in enlarging the work of this department. Such a policy would, at once, lend aid in educating the country where it most needs education, and bring here greater numbers of bright students who want economic train-
The real University is to be found in the men it trains, and in the influence they exert on the community.

The deplorable ignorance and prejudice regarding economic questions of great practical importance, (such as banking and currency topics,) in the very regions from which we now draw our students, and must hereafter draw them in increasing numbers, makes the duty, as well as the opportunity, of our University, one of transcendent importance. Can it rise to the occasion? It is entirely within the truth to say that no such opportunity is open to us in any other branch of study. Furthermore, no other institution in our country is, at present, so well situated as Cornell University for doing a great and striking work in economics. If we accomplish this work, we can secure a strong hold on the people, and an enviable repute for enthusiastic, enterprising scholarship on subjects touching the immediate welfare of every individual citizen.

The mere fact of having had this exceptional opportunity for twenty years, and not having used it, (excepting one year,)—although there may be good reasons for it—has created a widespread belief elsewhere in our lack of interest and purpose in aiding economic study. To take only a second-rate position, therefore, or to do only moderately well, will not be enough to place us in a proper attitude before the public. Nor will it do to act so slowly that the growth of the department, however real, may be imperceptible to the outside world. In short, to produce the desired effect we should, if possible, draw the attention of the country to us by a striking and important movement; and it will be easy to make it striking and effective, because it is started in a subject which is occupying general attention. To indicate what form this movement should take is, in my opinion, the proper purpose of this communication. It has consequently seemed best to present a scheme of work for the department in as nearly complete a form as possible; a scheme, which shall be more thorough, more comprehensive, more scholarly than that presented by any other university. If adopted, it may then be said that greater advantages for economic study are offered at Cornell University than at any other American university. That a distinct opportunity exists for us, any member of an economic department in other institutions would be the first to admit. Our apathy in this matter has, in the past, excited some comment and surprise.

The discussion regarding the neglect by this University of liberal studies in favor of the professional and technical schools, might suggest the present as a favorable opportunity to disabuse the public of that mistaken idea, by adopting this scheme for enlarging the department of economics; for, while appealing to those who believe in an intensely practical education, economics in truth belongs, because of its disciplinary power, to the culture studies. Should the Fayerweather bequest be received, may it not be the means, by concentrating its use on one field, of making a striking movement which would command public attention?

III.

I present herewith a list of courses which, if provided, would place this department ahead of any other in America. This is then followed by a comparison of the proposed scheme with the courses offered at Harvard, Yale, Columbia, Johns Hopkins, Pennsylvania, and Michigan. The courses run throughout the year, at the given number of hours per week:

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  - Two Instructors at $4,000 each, 2,000
  - 3,600
- Five Fellowships at $500 each, 2,500
- Four Scholarships at $250 each, 1,000
- Publication Fund, 1,000
- Books (for five years), 2,000

Total, $13,700
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HT123 .A5 U. S. Department
1939 Printing Office
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L111 .A6 U. S. Office
EL85 .93 Washington, D.
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THE BUSINESS SITUATION.

The uncertainties of the business situation have been conspicuous before the public mind in the past few weeks, and the temper of the people has been rather critical. This is in contrast with the blind faith in everything pertaining to trade that characterized the period of boom. Neither the temporary character of the speculative operations of last year nor the fact that in all its essentials commerce is in better condition now than it was then has property impressed the majority. The uncertainties now existing appear to be superficial, but they perform the function of sobering traders and giving the machinery of business a chance to operate out its own troubles advantage after, and if, the elections of the coming fall declare for a maintenance of the present fiscal regime. Some of the important elements which have hereofore created anxiety because they could not be definitely measured are now outlining themselves to an extent which makes relatively close calculations possible. This is particularly true of the crops. Averaging up the favorable and unfavorable reports as to wheat, and figuring on the government statements, the conclusion is reached that the crop will be about 500,000,000 bushels, which is by no means bad. While it is too early for anything like final conclusions as to corn, the probabilities point to a crop of 2,000 million bushels. And in general other western agricultural products give a good account of themselves. Moreover, the foreign demand for the products of our farms, actual and prospective, is remarkably good. As for cotton, this country is the only source of supply of such importance, and the crop report for the July 1st. The dearth of this crop is reported by department of agriculture for the first of July is the lowest for many years at that date, 73,5, as against 25,5 June 1, but the acreage is larger than last year, and there has been some improvement in the fields since the opening of this month. And on account of the large percentage of this crop that is exported, the

whole country has a compensation in the advanced price where the yield is comparatively small. Under these circumstances, we may consider the agricultural situation good. In industrial lines the course of affairs in the immediate future is not yet clear. It is evident that something like a big reform is among the big iron concerns, and, while they desire that a scale of remunerative prices shall be adopted, it is found difficult to satisfy all, and the result may be that a few of the big companies will make use of the situation to force prices to such a low range and deprive the less fortunate of a chance to operate their works. It is not likely that prices of iron merchandise will be any higher this year than they are now, and they may be considerably lower. The transportation interest, too, demands attention. The railways are beginning to show the falling off in earnings as compared with last year that has long been expected. A marked instance is that of the Chicago, Milwaukee & St. Paul, which reports a decrease of $10,000,000 for the first week in July. This was due to a general decline in traffic but particularly to a small movement in grain. The presidential campaign is not yet fairly under way, and accordingly its influence is not much felt. That we shall have from time to time outbreaks of cheap-money men will win in a certainty. Conditions in foreign countries affecting us are not greatly changed. That the world knows little of what is going on in China is about the only certainty in the premises. No idea can be formed as to the number of Christians that have been murdered in Peking. The Chinese government is trying to conciliate the other powers by belittling the affair and disclaiming responsibility. It appears that the emperor has not committed suicide after all, and yet one cannot be any more sure of that than of anything else going on in that country. There are so many scores to settle as between China and the other powers that the troubles in that country will unquestionably be protracted a long time.

The world's money market finds in current events no reason for alarm. Rates from Berlin to San Francisco are nearer one level than for a long time. No important international movement of gold is due this month. A week save a shipment of $2,500,000 from Sidney for San Francisco, in pursuance of arrangements made quite a long time ago. Berlin is easier. The Imperial Bank has reduced its rate to 3 per cent and discounts in open market are quoted at 4. It is impossible to say whether this indicates the final cessation of the stringency in Berlin. Germany no doubt owes other countries a large total of money, and among the leading creditors is the United States. Any considerable advance in rates on this side of the water or any happening in Germany causing apprehension would lead to the same result. But Germany is believed to have made large purchases of American securities at much lower prices than those now prevailing. Sales of these securities would partly liquidate the indebtedness. In Paris discounts are quoted at 3%. London quotes money at 1 1/4 to 2 per cent and discounts in open market are quoted at 2 1/2 to 2 1/4. The Bank of England is 3 per cent or, and the proportion of reserve to liabilities is 22 5/8 to 99 5/8. The Chinese situation is having considerable effect. Consuls do not get much above 84. The demand for first-class securities is very strong. The Brazil is offering new stock at $2,000,000 per cent at 89. In this country there is abundance of money for current business and investment, but a small pressure on the security markets. Rates do not change much. In this city 4 and 5 per cent are the going figures. Statements of bank business, in a published article in another part of this issue, show the largest total of deposits ever reported under official calls, $25,000,000 higher than the aggregate deposits of all banks in the country last week. The New York banks report deposits now lower than hereofore, 16 per cent being the most common rate, and time money is abundant at 3 per cent and upward. Deposits have been running down rather rapidly there. Operations of the United States treasury are making little impression on the money market.

The stock markets lack speculative support, but quotations of railroad issues indicate a recognition of the large shrinkage in prices in the past few months. When railroad earnings are showing a considerable decrease, as they are likely to do in the near future, we shall perhaps have a bull market in the stocks, as we have had a bear market while the earnings have been on the increase.

In the merchandise list iron still commands most attention. The expected current inflow in the output of the furnaces has begun. The reports of the Iron Age show that the capacity in the week, and the average prices a week ago, was 290,781 tons and $1,000,000. A further shrinkage is known to have occurred since then. The furnace stocks on hand July 1 were 421,088 tons against 384,980 June 1, while the warrant stocks were 5,600 tons against 4,830. Reports of cuts in prices are numerous. For example, steel billets, quoted in Pittsburgh at $25 last week, are said to have sold at $27 this week; Bessemer pig 816, as against 876 last week. It is even said that the price agreement on these articles has been abrogated, affording every seller a chance to make his own prices. In Alabama the situation is described as grave. The price of steel has been cut 60 cents at the mill of work at the Federal Steel mills in Mobile. Negotiations as to the scale of wages for the coming year are in progress with fair prospects of an amicable arrangement. The curtailment in production has reached the mines of the Lake Superior district, where the amount of ore being taken out has fallen off materially. In Scotland bitter complaints are made that the hosiery industry is greatly crippled by the high cost of materials. Irons have been rather nervous. Copper has had an advance in London, which, however, it serves only to give more prominence to the weakness. Lake is quoted in New York at 164 cents. The exports of copper from the United States the first half of 1900 were 89,000 tons against 56,400 tons for the first half of 1899 and 68,304 the corresponding period of 1898. The latest price lead fixed by the American Smelting and Refining Company is 4 cents. Anthracite coal is one of the commodities that show the result of the country's prosperity. The production for the first six months of this year was 22,727,471 tons, an increase of 1,500,000 tons over the output the first half of 1899. Comparatively little need be said about cotton, though there is a good deal of significance in the quotations. The price of middling uplands in New York this have been steady most of the time at 16 cents per pound, the highest for many years. The fluctuations in cotton prices are unimportant save to the speculators. The price of the commodity is made by the small visible supply and the uncertainty as to the outcome of the crop. And the price of cotton is the primary index of the market for raw material. The demand for cotton textiles is moderate, and a considerable surplus has been accumulated, estimated in the case of print cloths at
IS THE GOLD LAW A FAILURE?

Prof. J. Laurence Laughlin, of the University of Chicago, who was prominent in the agitation that led to the enactment of the gold standard law, has an article in the Journal of Political Economy in which he says that "as regards the establishment of the gold standard not only has the law been completely nullified, but it has been so completely trampled upon as to be the situation by this bill but we have in general no new means of maintaining the standard "which we did not have before the act was passed" forth that United States bonds to the amount of $1,056,016,220 payable in "coin" were outstanding at the time of the passage of the law, that the new act did not change their status, but that the refunding bonds issued under the gold standard law are made payable in "gold of the present standard value." The refunding provision, however, does not apply to all the old bonds, for the secretary opposed to the gold standard might on change of "parties pay off at maturity $273,315,400 of "national debt in silver at his discretion." The same statement would apply to any other old bonds that were not presented for exchange into the new 32. He then says that "since the "unlimited legal tender power of the silver dollar is retained for all obligations in which gold is "not expressly stipulated, it is clear that all "private contracts thus generally drawn could be "liquidated in silver." He finds, too, that the provisions as to the coinage of the so-called silver "seigniorage has added little to the "treasure." The total of this class of money will be about $585,000,000, and "there is absolutely no "method of direct redemption in gold." Further, "all the machinery for a gold reserve, its increase to "$250,000,000, its replenishment from sales "of bonds, etc., has to do solely with protection "to the United States notes and treasury notes of "1890." Certainly, he says, "the redeemability of "the United States notes and the treasury "notes of 1890 is provided for beyond peradventure." Another charge against the law is set forth in the statement: "There has been a "background of politics played with our recent "monetary legislation through the influence of "the Senate is unmistakably clear." The game the professor refers to was not particularly subtle. The legislation was resisted by the old guard of the charge money army from the first, and the saying that "all legislation is "comprising" appears elsewhere. That the provisions of the House bill relating to the gold standard were either more or less those of the Senate bill (which was substantially the one passed) was generally recognized by sound-money men who studied the subject. It is to be assumed, however, that, aside from the general standard in both houses secured an enactment as thorough as was practicable under the circum-
stances. The measure is not perfect by any means, but Prof. Laughlin's assertion that "we "were not in actual fact "were not in actual "were before" is contradicted by the facts and by his own statements in the very article in which he criticizes the law. He will remember that the one thing that frightened the whole country during the depression was the conversion of "redemption at the treasury of greenbacks for redemption in gold, and that the extent to which this could be done was almost limitless, for these notes kept the price of gold at the outlay of the government, so that all of the gold might have been taken out and the notes would still be ready for business. Is it not a gain that this "endless chain" has been broken by the provision that these notes cannot be issued again except in exchange for gold? The professor's own statement that the redeemability of the paper money is provided for would seem to be a contradiction of the proposition he lays down at the outset, that our position is not improved by the law. The same may be said of his statement that the chances of keeping silver at a par with gold have been abolished by the compulsory use of silver dollars in the bulk of the United States and national bank notes in denominations of $10 and upward. The point that private debts are, as heretofore, payable in silver, if the debtor so elects, because the silver dollars are still a legal tender, is well taken, but, to judge from the experience of the country in the past few years, if the government liabilities—paper money and bonds—are so well protected as they appear to be, there should be no alarm as to private debts. The government is the biggest business concern in the country, and it was through its acceptance of silver in the commerce of most of the states that $1,000,000,000 of money were kept at a parity during one of the most trying periods in our history—1885-87. If that could be accomplished in those times, with absolutely no war certainly be done under any probable conditions hereafter, with the support that has been given the treasury by the law of 1900.

The act of March 14, 1890, is not ideal, but it does establish a standard, and by stating that "the dollar consisting of 23.8 grains of gold nine-tenths fine shall be the standard unit of value," and by making certain provisions, imperfect, it is true, for regulating the matter of the "is my opinion that law was passed it could not be claimed that we had even a theoretical unit of value. The dollar was an impossibility—two widely different things imagined to be identical. The legislation of this year wakes us out of our financial nightmare and takes us on a long way toward a correct statement of the facts of a standard and provision for maintaining it. More legislation is needed, but let us not belittle the triumph already achieved.

There are, however, enough opportunities for mischief left to impress the friends of sound money with the need of having men in the management of the national finances who are in sympathy with the evident purposes of the gold standard law. To place cheap-money men in the administration of affairs of the treasury would, with the loopholes that are known to exist in the law, upset public confidence, even if those men did not undertake to nullify the financial legislation of this year.

The Illinois revenue law of 1856 appears to be working better this year than last, though its operation in 1856 was an improvement on the old method of taxation. The collection of the personal property is the great weakness of every system. It appears that much more of that class of property is found, and will pay a tax, this year than last. The real estate valuations are undergoing revision, and there will be some reductions, notably in the West Town, Lake View and Hyde Park.

In the present stage of Christian civilization a ban on paper is not conceivable—save by those who have seen the City Council of Chicago at its best. Various reporters of the session of last Monday state that the proceedings of the council, attended by 21,000 people asking for the passage of an ordinance to prevent the operation of overhead trolley cars on certain North Side streets was considered such a joke that the members proceeded to throw and kick the rolls of paper about the room, tear them in strips and twist them around each other's necks. A fair degree of order was restored after the Council Chamber had been profusely facetiously welcomed by the remnants of the petition. It is well that the wisdom of the fathers has provided such a place of amusement as this. It is inconvenient and in a way dangerous for our citizens to witness dogfights and cockfights, but we always have the City Council with us. The only reason that the accommodations for spectators are not adequate. The local statesmen should establish themselves in the Auditorium and give a continuous show.

The report of the Board of Trade committee showing that the public grain elevators of Chicago contain all the grain that is represented by the standing receipt books, is given to the people, as every confidence has been felt in the management of these concerns, but the investigation, which appears to have been very thorough, was rendered necessary by recent happenings in the case of the Chicago Elevator Company. As a general rule the handling of grain by the well-known houses has been in accordance with the law and the rules of the Board of Trade, but occasional deviations have been discovered in this line, as in every other.

The statistics of bank clearings again place Chicago in a favorable light. For the first half of this year the whole country shows a decrease of 19.9 per cent, the 75 eastern states have an increase of only 1.4 per cent, New York an increase of 17 per cent, and Chicago an increase of nearly 5 per cent. Chicago is the only one of the large growing cities that scored a gain, though the shrinkage at Boston and Philadelphia is smaller than in New York. The notable thing about the distribution of the bank clearings this year is that the eastern and middle states have been falling off while all the other subdivisions of the country have shown gains. The changes for the half year just closed are as follows: New England, decrease 11.4 per cent; middle states, decrease 13.5; western, increase 9.6; northern states, increase 14.6; southern states, increase 10.2; southern states, 3.3; far western, increase 15.9. The decline in mercantile and industrial operations has evidently been much less than has been represented in corporate reports, indeed many probably a material increase, for the falling off in New York, where nearly two-thirds of the clearing-houses are, is due to the decrease in speculation, and in the larger business houses where speculation is less prevalent an actual gain has been made. It is to be presumed that this month's clearings will contrast unfavorably with those of last month, and the general curtailment of manufacturing. To be sure, there is usually a period of quiet in the