for instance, the emperor should issue a decree abolishing the legislative body, nullifying the constitution and asserting the arbitrary power formerly exercised in his name by the Shogun, he would have to support the decree with a large army. This would, to a great extent, absorb the revenues now devoted to education and to the care of unfortunates, while by discouraging the people it would reduce their productive energy and lessen the revenues of the government. As the resistance to the emperor's decree would be greatest among the educated classes, he would feel that self-preservation required the discouraging of public instruction. In other words, while under free government the tendency is toward the elevation of the people, under arbitrary government the tendency is toward the degradation of the people. If intellectual advancement begins before the establishment of popular government it is sure to bring a clash between the sovereign and the people. So sure is this conflict that those who believe in the theory that governments rest upon the consent of the governed can, by the encouragement of education, undermine the despotisms of the world.

China is another illustration of a nation moving from unlimited monarchy to constitutional government. The Celestial empire has been so confident of the superiority of its civilization over the civilization of the west that it slept on even after the awakening in Japan. But the students, who, in increasing numbers, studied in foreign lands corroborated the report brought back by the diplomats, and the best informed of the Chinese began to show symptoms of intelligent discontent. Newspapers began to spring up in the larger cities, founded not so much for the distribution of general information, as for the propagation of reform ideas. At first, the editors wrote at their peril and a number of them had to take refuge under foreign flags, but the work of reform has gone on. The demand for political reforms has kept pace with the spread of education and a national spirit is developing. One cause of the backwardness of China has been the lack of a spirit of fellowship among the people. The individual has had little sympathy with those outside of his family, the civil servant has had little interest in the people whom he served, and the ruler, living a secluded life in the Forbidden City, has had little communication with the civil servants and none whatever with the people. Each man looked out for himself and the different parts of the empire were strangers to each other. The national spirit, while now directed against the foreigner, is itself a foreign growth. The Boxers appealed to the feeling of brotherhood when they sought to expel those who taught the doctrine of brotherhood, and in addressing their arguments to the masses rather than to the government the leaders of the Boxer movement paid an unconscious tribute to the theory which must ultimately bring China into harmony with the rest of the world, viz., that the people rule. The very agitation against foreign ideas helps to make those ideas known among the people, and nothing will contribute more to the growth of these ideas than the clash between them and the ideas that formerly prevailed. This is illustrated by the fact that China is today sending thousands of students to Japan and inviting hundreds of teachers from Japan, notwithstanding the fact that but a few years ago she suffered a humiliating defeat at the hands of her present instructor. The boycott against American goods will advertise the merits of those goods and the anti-American feeling will in the end strengthen our country's position in the Orient. It is an old saying that darkness brings out the stars, and the persecution of American missionaries and American teachers has aroused Chinese Christians to a defense of our country's disinterested efforts in behalf of the Chinese people. In the Boxer troubles the Chinese Christians, almost without exception, took the side of the foreigners when those foreigners were attacked, and many thousands suffered death rather than surrender their faith.

Only a few years ago the emperor of China, coming under the influence of certain reformers, announced a number of contemplated changes, but, before he could carry them out, the dowager empress seized the reins of government, put him in confinement and restored the conservatives to power. But the reform spirit had secured such a foothold in the country that now the dowager empress is herself considering the promulgation of a constitution. She has even sent commissioners to various countries to gather information upon the subject, while another commission—of which ex-Minister Wu, formerly the Chinese minister at Washington, is a member—is revising the criminal code and bringing it into harmony with the penal laws of Europe and America.

THE ASSET CURRENCY BILL SCHEME

A few pertinent questions suggest themselves. Whence this sudden demand for an asset currency? The long session of congress adjourned last summer. The senate and house were in session some eight months but the subject was not considered. Now congress is convened for a three months' session and all of the energies that the banking fraternity can command are being put forth to push the bill through. Why were the financiers quiet during an eight months' session and why are they so active during the three months' session? The answer is easy. The long session came before the election; the present session is held after the election, and the financiers, following their invariable rule, are attempting to steal a march upon the people. The scheme was deliberately laid; it is being studiously carried out; will it succeed?

The present bill is put forward as a means of securing an elastic currency. What is an elastic currency? A currency which can be contracted and expanded, but by whom? By the bankers of course. Has this subject ever been up before? Many times. Has congress ever expressed itself upon the subject? Very clearly. There is a clause in the national banking law which prohibits the retirement of more than three million dollars in any one month or a maximum of thirty-six millions in a year. Why was that clause put in there? To prevent a contraction of the currency by the banks. Up to 1896 we only had about two hundred and ten millions of dollars of national bank currency outstanding. With the limitation of three millions per month it was not possible for the bankers to contract that currency more than about fifteen per cent a year. This limitation has been kept upon the banks until now, and the fact that it has been kept shows that the public has not been willing to trust the bankers with the enormous power.

The bill now under consideration permits an issue of nearly forty per cent more currency by the banks, and this new currency they can not only issue at will but retire at will. In other words, they ask to be empowered to exercise a power more dangerous than that which has been entrusted to them for years. What has happened in recent years to justify this increased confidence in the bankers? Have not the recent investigations tended to lessen rather than to increase the confidence? Bankers are human beings. The opponents of an asset currency do not assume that they are worse than other people, but is it fair to assume that they are so much better than others as to be entrusted with this vast power over the industries and the business of the country? Was the country wrong in not removing the three million dollar limit? If it was right to refuse to remove this limit, it would be wrong to grant to the bankers a much larger power over the currency than the repeal of the three million dollar limit would give them.

This is called an emergency currency but it is really an asset currency pure and simple, for the bank issues upon its assets. To be sure there is a guarantee fund. Whether the government guarantees the emergency notes fully or only so long as the fund lasts is a question, for the language is not clear. The bill will doubtless be amended so as to make it certain whether the assurance of the government is a complete guarantee or only a conditional one, but if it is a complete guarantee, the government must proceed to collect the notes from the assets of the bank, for there is no special fund such as the government bond as in the case of the present national bank note. The measure before congress is a compromise. The advocates of an asset currency have been insisting for several years that the banks should be allowed to issue upon their assets. There was so much opposition to this that the present plan was proposed as a compromise, but one need not be a prophet to foresee that this is but the entering wedge to the straightout asset currency. (While this is in reality an asset currency it is called an emergency currency and for the time being the tax laid upon it is intended to force its retirement when the emergency is over. But as a matter of fact many of the banks will find it profitable to keep the currency out all the time and the banks that do not find it profitable will begin a crusade for reduction of the tax in order that the currency may be kept out all of the time.)

An asset currency lessens the security of depositors. Efforts have been made to secure the protection of depositors by a guarantee fund but the banks oppose this. Now they propose to still further increase the risk of depositors by making their assets the basis of new liabilities. The fact that these notes are emergency notes increases the danger rather than lessens it, for the issue of notes by the bank will be a sign of distress, and unless human nature changes, the issue of notes by a bank will be more likely to cause a run on the bank than to relieve any stringency in the locality. If bank depositors were made absolutely secure, money would be drawn from hiding and bank deposits would be increased; an emergency currency is likely to drive money into hiding and decrease bank deposits.

The banks, according to the bill, are to pay three per cent interest on the notes outstanding, but this is only temporary. It is a concession to the fears of those who have opposed an asset currency. If the plan succeeds, we may expect a demand—after the next election, not before—for a reduction of the rate of interest. After the election of 1896 the bankers demanded and secured a reduction in the tax on national bank notes. Not a word was said about this in the campaign but the favor was demanded and granted when the campaign was over. The bankers went through the campaign shouting that there was money enough, and when the election was over they demanded and secured the right to issue the face value of the bonds instead of ninety per cent, and they did it on the ground that more money was needed.

Ten years ago the banking fraternity insisted that the country had enough money; that all that was needed was confidence. Now with more than fifty per cent increase in the per capita circulation, they are asking for still more money—not government money—not primary money—but money which they can issue at a profit to themselves, and what is worse, all the newspapers which the banks control are joining in the chorus.

All bank currency is open to three objections: First, it is a matter of favoritism. If an ordinary citizen owns bonds, he has had the money invested in the bonds and must be satisfied with the interest; the bank, however, on the other hand, is permitted to draw interest on its bonds and to issue the face value of the bonds in bank notes. The asset currency gives even a greater advantage because the bank is not required to make any investment at all. Its capital is the security upon which the depositors rely and it wants to make a double use of this security by issuing new liabilities called emergency notes and the government is to stand behind them.

The second objection to the bank of issue is that it gives the banks a control over the volume of the currency, and as has been shown, the present bill is intended to very largely increase this control.

The third objection is that the surrender of the governmental function of issuing money into the hands of the bankers gives to those bankers what they regard as a vested interest in the nation's finances, and they resent interference with what they come to regard as their private business.

Fourth, the asset currency is open to an objection which does not lie against the bank currency, namely, that it introduces a larger favoritism and more dangerous control over the currency and greater risks to the depositors. If the government guarantees the notes, the people at large bear the burden while the bank gets the benefit. If the government does not guarantee the notes, then they are unsafe and will be an element of weakness in our currency.

The banks insist that more money is needed at some seasons of the year than at other seasons. Why not provide for this increase by keeping a larger reserve in the dull season so that there will be more money to loan for the moving of crops? Why not? Because that would reduce the profits of the bank and that of course is not to be thought of.

If the banks really want an emergency currency without changing the character of the present bank note, why do they not advocate a reduction of the amount to be issued on the bonds in ordinary times, leaving the remainder of the bonds to be issued upon in an emergency? If, for instance, the banks were allowed to issue seventy-five per cent of the face value of the bonds in ordinary times and allowed to issue the other twenty-five per cent in an emergency upon the payment of a tax which would retire the bonds at the end of the emergency period, the same result would be secured. But why is this not proposed? Because it would reduce the profit of the bank. Whenever it is proposed that the banks do something in which there is no profit, they at once point out that banking is a matter of business and that bankers will not do anything unless there is profit in sight.

No one who is familiar with the methods employed by the financiers can doubt that the new currency bill before the house is the camel's nose. All that the bankers ask is that the nose be allowed to come into the tent at this time—the rest of the camel will appear later. An asset currency is the thing desired, and an asset currency without tax, not for emergencies but for the permanent