

the above balance, makes a net loss of \$205,278,480.

There are other large costs to be charged against the greenbacks—the cost of paper, engraving, printing, sorting, redeeming, counting, storing, etc., which I find reported in an official document at not less than one million dollars per year. I am convinced that there has been a net loss in cash to the government of fully \$225,000,000 by reason of the greenbacks since specie payments were resumed in 1879, because if there had been no greenbacks these bonds would never have been issued. The government would have scraped along somehow. It might have borrowed some small amount on one-year certificates. The spectacle of a great, rich country that had paid off two thousand millions of debt since the Civil War, issuing long bonds to pay current expenses in time of peace, would have made the nation blaze with indignation. Congressmen would not have dared face their constituents with such a record.

NO CERTAINTY ABOUT GREENBACK REDEMPTION.

Now I make bold to say that the government of the United States is not to be depended upon to redeem its legal-tender notes. It may redeem them or it may not. Suppose there had been a president and a secretary of the Treasury in office from 1893 to 1896 who agreed with the congress then occupying seats in the capitol. The notes would not have been redeemed. Suppose there were a president and a secretary of that kind now. You must bear in mind that there is a party in this country which does not think that redemption of the greenbacks in either silver or gold is necessary or desirable. I believe that we are to hear from them before this conference closes. In short, when the redemption of the paper currency depends upon the government, it depends upon politics. It is a question of votes and of haphazard in a case where certainty is the very essence of the matter, and where uncertainty produces the most direful consequences.

No doubt those who vote on one side are as honest as those who vote on the other. I do not question anybody's honesty. I merely say that one side favors redemption of the greenbacks on demand in gold. The other side is opposed to it, and some are opposed to redemption either in gold or in anything, and these are honest, too. My venerated friend, the late Peter Cooper, was one of this kind, and there was no honest man in this world than he.

I began by showing that the government's credit consists in keeping good the promise printed on the greenback to pay coined dollars on demand, and that this credit cannot last a day longer than the promise is fulfilled. I have shown that when the pinch came, as it did

several times in 1893-1896, the government's promise was only kept by good luck. It was good luck that there were laws on the statute book that could be made available for the purpose. It was good luck that we had a president and a secretary of the treasury who were determined to use all their powers to the end of keeping the promise. Can we expect to have such luck always?

You may say that we are not likely to have such troubles again. I hope we shall not, but I observe that there is a political party whose chief although unconscious aim is to bring on such troubles. If anybody can guarantee that that party will not succeed in its aim I shall be glad, but even then the chapter of accidents may cause the same class of occurrences that we witnessed in 1893-96. Either a shortage of revenue or an adverse balance of trade may at any time bring on such troubles. And here I am moved to quote a few words from Mr. A. D. Noyes's "Thirty Years of American Finance." You will agree, no doubt, that ex-Senator Sherman was the foremost leader of the republican party in matters of finance, and that we are not likely, taking the average of years, to have more sagacious guidance. Well, Mr. Noyes, in summing up the causes of the gold drain of 1893, says:

"When Secretary Sherman was defending in 1879 and 1880 his own plan of legal-tender issues, he was reminded of the possibility that a heavy revenue deficit might some time leave the Treasury with nothing but its gold reserve from which to meet expenses. To this he answered that it was 'not to be presumed that congress will omit to provide ample revenue.' He cited further the objection that the amount of notes 'may be enlarged by congress, and that this power is liable to abuse,' but his reply was that under resumption of specie payments 'there is no temptation to over-issue.' Fourteen years had passed and congress had now enacted one law destined to force a deficit on the treasury (the tariff of 1890), and another to increase without assignable limit the issues of legal-tender notes (the silver purchase act of 1890). That Mr. Sherman himself should have voted for both these measures, and constructed one of them, is another notable instance of the irony of history."

After such an illustration I think that any one must admit that the unhappy experience of 1893 may be repeated at some future time when we least expect it.

THE BANKING COMMITTEE'S BILL.

If we agree that doubts as to the redeemability of the legal-tender notes are bad for business, what ought we to do? I should say, redeem them while we can, and put them out of existence. They cannot do any harm if they do not exist. But we are told that the people will never consent to the cancel-

lation of the greenbacks or of any part of them. I do not know whether that is true or not, but I presume it is true that it would be a long time before the college professors and the book and magazine writers, plus the splendid Indianapolis convention and its monetary commission, could bring the people of the United States up to their own point of view. Meanwhile all the business of the country may be paralyzed as it was in 1893-'97. There may be other panics and crises before the question is settled. Since the retirement of the greenbacks does not seem to be feasible at present, I give my hearty adhesion to the bill of the banking and currency committee of the house of representatives, which proposes to put upon the national banks the burden of current redemption of the greenbacks. Under this bill the greenbacks will be kept alive and in circulation, although their form will be changed in some slight measure, just enough to identify the particular ones that each bank shall redeem. The government will be responsible for them as it is now, but the current redemption of them will be imposed upon the banks, and the banks will be recompensed by having the right to issue circulating notes of equal amount against their general assets, protected by a safety fund which the experience of other countries shows to be ample.

BANKNOTES VS. GREENBACKS.

Now, a word in reference to banknotes. You all know what bank checks are. They are lawful orders for the payment of money out of the bank's cash reserves. They may be drawn by a bank's cashier or by the bank's depositors. A man may acquire the right to draw checks on a bank by having deposited his own money there, or by having his promissory note discounted by the bank. If time allowed I could prove to you that a banknote and a check are identical in their nature; that they are both orders for the payment of money out of the bank's cash reserves, and that they arise from the same set of causes. If I have a deposit in a bank I can draw it in banknotes, which the bank must pay on presentation, or I can hand my check to another man, which check the bank must pay on presentation. If I have no deposit, I can get my promissory note discounted if my credit is good, and then draw checks or banknotes as in the former case, to the amount of the discount. The only difference between the check and the banknote is a difference of form. The banknote is really the cashier's check on the bank, handsomely engraved in order to prevent counterfeiting, and usually it stays out, *i. e.*, remains in circulation, longer than a private individual's check. It answers the same purpose as the greenback as an instrument of exchange, although it is not legal tender. There are two hundred millions of banknotes in circula-