

11. Silver is much inferior to gold as a metal for Money, for this main reason, that it has proved itself much less steady in its general *value*; and its value is less steady, because it is subject to greater changes in its Supply and greater variations in its Demand. As an example touching Supply, we cite the fact, that the annual silver product of the world *doubled* in the third quarter of this Century, rising from an average of \$40,000,000 yearly, 1851-61, to \$80,000,000 in 1875; and that Nevada alone yielded in 1876 as much as the whole world yielded twenty years before. Then, too, Demand, that is, effective public opinion, does not hold to silver as it does to gold for a standard of Values. The action of England in 1816, of the United States in 1853, of Germany in 1871, of Scandinavia in 1874, and of the Latin Union in 1876, *in legally making gold the sole standard of Services and silver subsidiary to that*, of course affected more or less the Demand for silver as Money, and thus varied its value. We have at hand the data to demonstrate the effect of these two causes combined: the average price of silver in gold from 1833 to 1874, in the London market, which is the bullion market of the world, was for the 40 years just about 60 pence per ounce, never falling below $58\frac{1}{2}$ and never rising to 63. At 60 pence per ounce (444 grains of pure silver, standard English silver being .925 fine) the ratio of gold to silver is 1:15.716. But between May, 1875, and July, 1876, when both the above causes had come into full action, silver dropped in the London market to 47 pence per ounce, a fall of 21%, and a ratio of gold to silver of 1:20. The price gradually rose again to about 53 pence per ounce, and remained in that general neighborhood till 1882, between which date and 1890 the *sagging* process went on to the general result of 25% discount as compared with the old average of 60 pence in gold per ounce of silver.

These facts settle the question adversely to the fitness of silver to become an independent Measure of Values. When, however, it is designed that gold and silver shall circulate together in some numerical relation to each other as Money, it becomes needful that Government shall fix as well as it can, not the general value of either but the relative value each in each for the time being. But this specific value, too, goes on to regulate itself independently of government edicts. No matter how well the work is done at first by ascertaining the actual ratio in which they are exchanging in a free market, it will certainly require revision from time to time. This is what is called *Bimetallism*. The reader will now perceive the fundamental and ineradicable difficulty with the bimetallic system, which has led by bitter experience nearly all the European nations to abandon it. It especially becomes us to understand how the United States have fared in a century's attempt to keep *in equilibrio* as a conjoint and legal Measure of Services both gold and silver in a fixed numerical relation.

Alexander Hamilton as the first Secretary of the National Treasury, entering upon excellent preparatory work done both by Robert Morris and Thomas Jefferson, guided the action of Congress in establishing the Mint in 1792, and really determined the weight and fineness of the first federal coins and their relative value each in each, the silver coins being struck in 1794 and the gold ones in 1795. The silver dollar was copied from the Spanish milled dollar of commerce, which contained 371.25 grains of pure silver, and that has been the exact content of our national silver dollar from that day to this. The halves and quarters and dimes were exactly proportioned in weight and fineness to their units. Hamilton supposed that gold was then worth in Europe 15 times as much as

silver, and advised consequently that the gold dollar should contain 24.75 grains pure, and that both dollars should be alloyed at the English rate of $\frac{1}{12}$, thus making the silver dollar weigh 405 grains and the gold dollar 27 grains; but Congress, while enacting the gold dollar just as the Secretary recommended, preferred to *alloy* the silver dollar by 44.75 grains instead of 33.75, thus making its weight 416 grains. Alloy is of no account in value.

From the ratio of 1 : 15 fixed by the act of Congress in accord with Hamilton's opinion as to the relative value of gold in silver to be maintained in the coins, unforeseen and important consequences followed, since that was not the true ratio of their value at the time in the markets of the world; an ounce of gold was worth more at that time than 15 ounces of silver, and, accordingly, was worth more out of the coinage than in it, and was therefore exported in preference to silver in payment of foreign balances, especially after France had changed the relative legal value to 1 : 15 $\frac{1}{2}$, which happened in 1803; and of course the gold refused to circulate here under those circumstances, being *undervalued* in the coinage, thus giving a neat illustration of the economical law to be unfolded under the next numerical heading, namely, that the cheaper money will always push the dearer out of the circulation. Not till 1834 was the attention of Congress so strongly drawn to this fact and consequence, as to secure an enactment to remedy it; and this coinage law of 1834 rated gold to silver as 1 : 15.98. The weight of the gold dollar was at the same time reduced from 27 to 25.8 grains, and the alloy increased from $\frac{1}{12}$ to $\frac{1}{10}$. These changes of 1834 increased the relative legal valuation of gold in silver 6.53%. But this in turn was going too far in the opposite direction; gold was not worth 1 : 15.98 in the bullion markets of Europe; France was holding steady

her ratio of 1 : 15.50; and, consequently, the commercial current of the metals was now reversed, silver passing in preference to Europe to liquidate the balances of trade, and gold beginning to come to the United States, where it would buy more than 3% more silver than in Europe.

Three years after the above changes, that is, in 1837, the standard of $\frac{9}{10}$ fine instead of $\frac{11}{12}$ was applied by law to silver also, and this altered fineness made a change in the weight of the silver coins necessary, if the ratio of 1 : 15.98 was to be maintained between the gold and silver. Accordingly, the weight of the silver dollar, and of two halves, four quarters, and so on, was reduced from 416 grains to 412 $\frac{1}{2}$, that is to say, less alloy was put into the silver coins, but the fine silver to the dollar was kept just as it was, namely, 371.25 grains. Since 1834 there has been no change in the gold dollar and its multiples, and since 1837 there has been no change in the silver *dollar-piece*, and the legal ratio of value between gold and silver in our coins is still 1 : 15.98, since the silver dollar of 1878 and onwards to 1890 corresponds in weight and fineness with the dollar of 1837.

Still, notwithstanding the pains taken and the changes made from time to time to keep the two metals in legal *equilibrio*, there never has been any considerable period in the century now drawing to a close, during which gold dollars and silver dollars have circulated freely and indifferently in the United States. Sometimes it has been the one kind, and sometimes the other kind, but never both kinds at the same time. The present writing is in the spring-time of 1890: both kinds of dollars are legal tender for all debts public and private in the old-time ratio; the national Government professes to be indifferent whether it pay out gold or silver in redemption of its paper-moneys, but after all, with the exception of the

Pacific States and a few special branches of business in the cities of the East and of the Middle, gold coins are not now in common circulation, the bank drawers crowded with silver dollars feel little of the weight and see little of the shine of the gold coins, and if any of these chance to be paid out to ordinary bank-customers they are pretty certain to return in speedy deposit. The theoretical bimetallism of the United States has been a practical though alternate monometallism with various incidental and concurrent disadvantages and losses.

By 1853 these disadvantages of a long-attempted double Measure of Services made legal tender for all debts had become plain enough to everybody, for experience had demonstrated that the Value of gold and silver each in each was not constant but constantly variable; and Congress then wisely determined to make Gold alone the legal tender, except in sums below \$5. In connection with this great change in the coinage, a lesser one was introduced at the same time, namely, to reduce the weight of the silver half-dollar and its subdivisions, so that their nominal value in the coinage should be considerably above their metallic value, and their exportations be thus prevented. Accordingly, the half-dollar was reduced in weight from $206\frac{1}{4}$ to 192 grains, and the smaller coins proportionally. This was in imitation of the English legislation of 1816, and brought into this country a *subsidiary* silver coinage, which still continues, and of which a nominal dollar's worth weighed 6.91% less than the Silver Dollar, which was not mentioned one way or the other in the law of 1853, but which was then worth about three cents more than the gold dollar, and was of course wholly out of circulation.

Through the influence of the late Samuel B. Ruggles, these subsidiary silver coins were brought in 1875 into

harmony with the silver-system of France and the Latin Union. Their five-franc silver piece which is also $\frac{9}{10}$ fine, weighs just 25 *grams* or 385.8 *grains*; a dollar's worth of our subsidiary silver, as we have just seen, weighed 384 grains; and it was, therefore, needful to add only a slight fraction of weight to our smaller silver coins in order to knit a real connection between them and much of the European silver. Two halves, four quarters, ten dimes of our silver since 1875, are debased in weight (not in fineness) 6.47% as compared with the standard silver dollar. A more important coinage connection with Europe was knit through our first five-cent nickel pieces, each of which weighs just five *grams*, and five of which laid along in order measure exactly a *decimetre* in length. These were the first official applications of the Metric System on the part of the United States. The nickel pieces, both the five-cent and the three-cent, are 75 parts copper and 25 parts nickel; and the one-cent piece is 95 parts copper and 5 parts tin-zinc. Debts of 4 cents can be legally paid in one-cent pieces, of 60 cents in three-cent pieces, of 100 cents in five-cent pieces, of 500 cents in *subsidiary* silver, and of any amount in gold coins or in silver *dollars*.

12. *A money inferior in general value will, so long as it circulates locally, drive a superior money out of the circulation.* This proposition is a fundamental and universal one in monetary Science. The only exception to it is found in *token-coins*, and in subsidiary silver so far as that has the *token-quality*, that is, so far as its *nominal* is above its *bullion* Value. The main motive in coining tokens is to make sure for its own local uses of a nation's small change. Token-money is worthless for export, is only designed for the smaller exchanges, is legal tender only for very small sums, and is acceptable only on local and conventional grounds. The exception aside, the above proposition is a pervading

and controlling Law of Finance and has been illustrated over and over again in every Age and Nation. It is as solid as the substance of truth can make it, although it looks at first sight like a paradox. We naturally think that what is excellent all round tends rather to displace what is inferior in spots, but with Money the exact reverse is the law; and the perfect coin of full weight, instead of driving out the light and the debased pieces, is always itself driven out of the circulation by them.

The reason for this becomes obvious the moment we ponder the nature of Money. Money is always a Valuable, taking on in addition under Law or Custom the function of serving as an instrument of Exchange. As money, nobody wants it except to buy with, and so long as the Government and the community treat light coin and full coin as of equal value, receiving them indifferently in payment of debts and of taxes, it is clear that nobody will give in payment of debts and of taxes that which is really worth more so long as that which is really worth less will go just as far. The inferior pieces will abide in a market where they will fetch just as much as the superior pieces, while the superior pieces will take on a form or migrate to a place in which some advantage can be gained from their superiority. Thrown into the crucible, or exported in commerce, this superiority immediately manifests itself; and therefore into the crucible or into the channels of foreign trade it might be confidently predicted beforehand that such money would be thrown, and all experience testifies with one voice that exactly those are the destinations of such money.

Aristophanes, the Greek comic poet, in the 5th century before Christ, seems to have been the first writer who noticed that good coins of full weight are apt to be crowded out of the circulation by the lighter and poorer

pieces, and he, mistaking the cause of this, satirized his countrymen unmercifully for preferring bad coins to good, and demagogues, like Cleon, to honorable citizens for rulers. The following are the verses:—

“ Oftentimes have we reflected on a similar abuse,
In the choice of men for office, and of coins for common use;
For your old and standard pieces, valued and approved and tried,
Here among the Grecian nations, and in all the world beside,
Recognized in every realm for trusty stamp and pure assay,
Are rejected and abandoned for the trash of yesterday;
For a vile, adulterate issue, drossy, counterfeit, and base,
Which the traffic of the city passes current in their place!
And the men that stood for office, noted for acknowledged worth,
And for manly deeds of honor, and for honorable birth;
Trained in exercise and art, in sacred dances and in song,
All are ousted and supplanted by a base, ignoble throng;
Paltry stamp and vulgar metal raise them to command and place,
Brazen counterfeit pretenders, scoundrels of a scoundrel race,
Whom the State in former ages scarce would have allowed to stand
At the sacrifice of outcasts, as the scapegoats of the land.”

Sir Thomas Gresham, financier of Queen Elizabeth and founder of the Royal Exchange and of Gresham College in London, was the first thinker to understand fully and explain scientifically what Aristophanes and others had noticed as a fact, and what in its explanation may hence properly be called “*Gresham's Law*.” We will append a few historical illustrations of the fact and the law as instructive in many ways.

(a) The City of Amsterdam founded its famous Bank in 1609, because no other way seemed to open of preventing the clipped and worn foreign coins then and for a long time circulating in that great Mart of Trade from driving out completely the good money of full weight, which the Mint of the City had been constantly pouring in. The Bank was devised as a municipal Institution with

this intent; it was a Bank of Deposit only; it took in all the old coins at their *bullion* value only; and then had them reminted at full weight; it gave the depositors credit on its books in the terms of the *new* money for all of the *old* they chose to bring in; it then adjusted accounts between merchants and all other of its customers by mere transfers on its books; the City required all debts falling due in Amsterdam to be paid in the new "bank-money," which took away all uncertainty from Bills of Exchange drawn on Amsterdam, which were previously liable to be paid in the clipped and worn coin, and were therefore sometimes at as much as 10% discount in other cities; this simple requirement brought these foreign bills to par, and kept them there; the full-weighted money now stamped by the city Mint abode in the circulation, being now the sole Measure of Services there; and thus it became the interest and convenience of every business man in Amsterdam to have these simple dealings with the Bank, which in turn enjoyed unlimited credit in the commercial world for almost two hundred years.

(b) The great English Recoinage of 1696 was completed under the imperatives of Gresham's Law. Graphically does Macaulay describe the causes and the effects of this in his 21st Chapter. The old silver coins had been stamped under the hammer; few of them were perfectly circular; the edges were neither milled nor fluted; the legend was not so near the edge as that the letters were impaired by a little clipping; it was easy to pare off a pennyworth or two, and then pass the coins along; it was profitable to do it, and in vain that Elizabeth enacted that the clipper must suffer the penalties of high treason; nearly all the coin of the realm became mutilated, and about 1660 a new process of coinage was brought in. A mill worked by horses fabricated the new coins on better principles. They were exactly round,

and the edges were inscribed with a legend, and they were all of just and equal weight. They were thrown out to pass current with the hammered money, and it seems to have been expected that they would soon come to displace it. But they did not. Both were received at first without distinction by the individual traders and by the public tax-gatherers. But the milled money soon came to be scarce, and the old money grew constantly worse. The lighter the old coins became, the scarcer became the new ones; for who would pay two ounces of silver when one ounce was legal tender? The new money was melted, was exported, was hoarded, but circulate it would not. At length the lightest pieces began to be refused by some people, and other people demanded that their silver should be paid to them by weight and not by tale, and there was wrangling over every counter, and a dispute at every settlement, and the coin was really so diverse in its value that there was no longer any measure of value in the kingdom; business was in utmost confusion, society was by the ears, poor people were unmercifully fleeced, and shrewd ones grew enormously rich; and the Jacobites secretly exulted in the hope of being able to avail themselves of the prevailing discontent to overthrow the scarcely established revolutionary government of William and Mary; when, by the joint counsels of two such philosophers as Locke and Newton, and two such statesmen as Somers and Montague, the government took the bold resolution of recoinage all the silver of the kingdom. An early day was fixed by Parliament after which no clipped money could pass except in payments to Government, and a later day after which it could not pass at all.

(c) Gresham's Law has had beautiful illustrations in the monetary history of the United States. We have already seen the reason why the first silver dollars of 1794 could

not compete in currency with the gold coins of 1795, — the silver was under-valued in the legal ratio 1:15, — it would have been much nearer the European market at 1:15.5. There was another reason operative in the same direction from the beginning, which did not, however, come to the notice of the Government till ten years later. Only 321 silver dollar-pieces were coined in the year 1805; and May 1, 1806, there stands an order from President Jefferson to the Director of the Mint, — “*that all the silver to be coined at the Mint shall be of small denominations, so that the value of the largest pieces shall not exceed half a dollar.*” The presidential reason given for this order is, — “*that considerable purchases have been made of dollars coined at the Mint for the purpose of exporting them, and that it is probable that further purchases and exportations will be made.*” The coinage of silver dollars thus suspended was not resumed for 30 years. What was the matter with these dollars? Nothing, only they were too valuable. Hamilton had adopted for his new dollar the exact weight in fine silver of the normal Spanish-Mexican dollar, then and for a long time the unit of the thriving West India commerce; clipped and worn coins of this popular stamp had slipped into circulation in large numbers throughout the United States, and driven out the new and good pieces in accordance with a principle much better understood now than then; the President’s order itself was not very intelligent, inasmuch as two halves, four quarters, or ten dimes, were then equal in weight and purity with the dollar-pieces, and as a matter of fact were almost (if not quite) equally driven out by the smaller Spanish-Mexican coins. The “four-pences” and “nine-pences” (“York shilling”) of that coinage were almost exclusively the small change of New York and New England during the first half of this century. The “dimes” and “half-dimes” of our own mintage, though

long legalized, were but slowly naturalized. The coin-changes of 1853, already described, gave a fair chance for the first time to our smaller silver coins.

The last native illustration of Gresham’s Law will force us to anticipate here the discussion under the next numerical heading, so far as to assume that there is such a thing as paper money, and that the Law now in hand works in connection with that as well as with diverse forms of metallic money. In 1862, Treasury notes, commonly called Greenbacks, made a legal tender for debts though not bearing interest, were issued by the national Government to the amount of \$450,000,000. Of course, under these circumstances they depreciated in value as compared with the gold dollars, which gold dollars *they were unfulfilled promises to pay*. Just so soon as the greenback dollars fell fairly below the gold dollars in value, the latter left the channels of trade in a very few days’ time. Down sank the greenbacks gradually below the *subsidiary* silver coins in value, and the latter obediently and utterly abandoned the commercial field. At last the greenbacks went down even below the level of the copper cents, which at that time cost the government about half a cent each, and this invariable law of money swept the circulation bare of coppers, and the people had to resort for their smallest change to postage-stamps and shin-plasters and other abominations. Happily, the country survived to see these processes exactly reversed, and the old law confirmed on its other side. When, after a considerable interval, the paper dollar appreciated to the proper height, it was interesting to watch the copper cents put in a prompt re-appearance; after a still larger appreciation of the paper, back came in abundance the subsidiary silver; and as the day of the redemption of the paper drew near, silver dollars and gold dollars greeted smilingly their old acquaintances of the street.

13. So far we have treated only of Coin-Money in its two forms, *substantive* and *subsidiary*. The latter may now be dismissed as of little consequence in itself, and as already elucidated fully: the latter is the only Money that stands in its own right as a *commodity*, and the only Money that can give birth to the *Denominations* of Value, such as sovereigns, dollars, marks, and francs. *What is a Dollar?* A dollar is $25\frac{1}{4}$ grains of a metal compound coined, of which nine parts are pure gold and one part a hardening alloy. It is a definite *quantity* of a thing definitely and legally described. It is a visible and tangible and well-known *commodity*. Government is competent, if it pleases, to alter the quantity of gold that shall constitute a dollar, although the People will quickly and roughly readjust the prices of Services to a changed measure of them; it is competent even to make a dollar out of silver, as our Government has tried to do (for the most part vainly) for a century, though it is *not* competent to cause both dollars to circulate as such at the same time; but civilized and advanced Governments are not practically competent to make a Dollar out of anything else than gold and silver.

Money is a current and legal Measure of Services; for the end and in the way in which Money alone originates and becomes current its material must be a valuable commodity; and after centuries of experiments and exclusions no civilized People now tolerate any other commodity in this relation than gold or silver. Such a selected commodity becoming in the manner already explained an actual medium passing from hand to hand in Exchanges, impresses its *name* on the minds of men as an ideal *measure* of services, which measure they can use, and do constantly use, without handling at the time the commodity itself. But these ideal-dollars, these denomination-dollars, need to be kept in check by a constant recurrence to actual, pal-

pable thing-dollars. The denomination only comes into existence in connection with the use of the thing, cannot possibly exist independently of it, and needs constantly to be reduced to it (as it were by actual contact) in order to be useful as a measure. Just as men talk about inches, and calculate by inches, in thousands of cases in which no actual inch is used as a measure, and in every case of doubt, dispute, or difficulty have recourse to the actual inch, and thus the ideal inch is kept steady in the minds of men by frequent reference to the outward standard; so the mental measure of services, which men insensibly acquire from the use of the objective measure, needs to be kept true by actual and frequent contact with that measure.

But besides this Thing-Dollar and its Denomination, which always go together like a man and his shadow, there is one other kind of Money, namely, the Promise-Dollar. We must now attend to this. What is a Dollar-Bill? How does it read? It is always a Promise of some Issuer to pay to bearer One Dollar, that is to say, this legal and definite quantity of a precious metal. There is no mystery here. There can be none. A Dollar is a tangible and weighable commodity. A Dollar-Bill is a Promise to render this commodity to bearer on demand. The difference is the same in kind as that between a bushel of corn and a man's promise to his poor neighbor to give him a bushel if he will come for it. It depends on the *man*, on his ability and character, how much the corn-promise is worth; and so it depends on the *issuer*, on his ability and character, how much the coin-promise is worth. The Issuer may be of such standing as to be able to secure for his promises that they become "a current and legal measure of Services"; and if so, they become Money under the definition.

There is, then, such a thing as Paper-Money, though

many high authorities are reluctant to concede, that any mere promises can be money at all. For ourselves we cannot refuse the courtesy of the term "money" to paper-promises-to-pay-coin, which our Country makes a legal tender for all debts, public and private. The making them legal tender, however, does not alter their nature one particle. They are still promises,—and nothing more. Their *Value* depends in all cases upon the character and resources of the Issuer; their *Currency* may be quickened (at some rate of value) by their being made a legal tender. Nothing can by any possibility become a Money unless it first be a Valuable. The essential characteristic of Money is its possession of a *generalized* purchasing-power. The Value of a promise depends on one set of causes, with which we are now very familiar,—the same causes on which the value of everything depends; the Generalization of any purchasing-power into money depends upon another set of causes, of which the action of a Government in legislation may be one.

Paper-Money, as now defined, may be issued by Banks with or without an indirect government sanction, or through the direct action of Government. The Bank of England has been issuing since 1694 paper-money under a series of Charters granted by the Government, which becomes thereby in a manner responsible to the bearers for the redemption, that is, the fulfilment, of the direct promises of "The Governor and Company of the Bank of England"; since 1863 the so-called National Banks of the United States have issued promises-to-pay, designed to circulate as money, under the direct authority and quasi-endorsement of the national Government; and since 1862 that Government has been putting out directly its own promises commonly called "greenbacks." These last have rested and now rest for their value solely on the good faith

of the People as between themselves. By a separate and additional act of legislation, which it is mischievous as well as unscientific to confound with the original promise-legislation, this particular paper-money was and is legal tender for debts, which collateral circumstance whether wise or unwise neither changes the nature nor lessens the obligation of the original promise to pay coin. No so-called Decision of the Supreme Court can abolish or abridge a natural and scientific distinction. Money is at bottom of two kinds only: the first kind is an intermediate and equivalent merchandise, COIN; and the second kind is Promises to pay this to a bearer on demand, PAPER MONEY.

The only way to make any promise respectable is to fulfil it in due time. The only way to make Paper Money a decency is to hold sacred in action the promise that distends it. The United States undertook in 1862 and onwards to make its own plain promises respectable by a different method, namely, by legally asserting in substance that the *promise* is its own *fulfilment*, and needs no other; and in this persistent undertaking encountered a miserable failure throughout; because the People also persisted in *estimating* the promise solely in the light of the *prospect* of its literal fulfilment. The greenbacks at one time lost two-thirds of their normal value under the working of such estimation. This question of the relation of two kinds of Money to each other is a question of Economics, and not of Constitutional Law; or rather, it is a question of common sense and common honesty, and the judgment upon it of nine men learned in the Law is no whit better than the judgment of nine other intelligent men.

As Money is analyzable into two varieties only, Coin and Paper, so Paper Money falls into two classes, Convertible and Inconvertible. A convertible paper money

consists of promises that are always *kept* by the issuer according to their terms, that is to say, that are paid in specie at the will of the holder. An inconvertible paper money is only another name for unfulfilled promises. Is it any wonder that unfulfilled promises to pay invariably become less valuable than *that* which they promise to pay? They are valuable to start with, else they could not become money, and they are valuable because men suppose the promise will be kept: they are commonly valueless to end with, because men lose faith in the fulfilment of a promise long delayed. This is the simple secret of the depreciation of inconvertible money so soon as the amount of it passes a certain limit, and so soon as a certain time has elapsed after its issue and the issuer shows no signs of keeping his word. As money is only a measure of Services, and as possible Services are limited at any one time and place, and consequently as the amount of money needed for healthful business is limited also, a steadily convertible paper money, provided the limit of quantity be not overpassed, will constitute a tolerable money. But this limit of quantity is apt to be overpassed, whether the paper money be convertible or inconvertible, and especially in the latter case, because the temptation to issue promises to pay in excess of the means of promptly redeeming them always besets the issuer on account of the *gain* to him in such issue at least for a time. This temptation has been yielded to first or last by every nation, and probably by every corporation, that has ever issued paper money. The Bank of England has been on the whole the best managed Bank of Issue in the world, and its Bills (Promises) have gained the most confidence and the widest circulation. This is because they have been kept by the Issuers *convertible* from the beginning, with the exception of two comparatively brief intervals of time. As already related

under the last general proposition, the silver coins of the realm were much worn and clipped when the Bank was established in 1694, the Bank, however, had received them on deposit of customers at their full nominal value; but after the Recoinage began in 1696, it was obliged under the law to redeem its Bills in new coin of full weight, that is, for perhaps 9 ounces of silver received, it was now bound to pay 12. Consequently its enemies, the Jacobites, made a "run" upon the Bank by collecting up its Bills to a large amount and presenting them for payment. The Bank was obliged to suspend payment, at first partially, and then generally. In February, 1697, the Bills were 24% below par. The Promises could not be kept, and therefore they drooped in value according to man's estimation of the probability of their becoming again *convertible*, which happened in the course of that year under a new charter and privileges from Government to the Bank.

Just 100 years after the first suspension of specie payments, in 1797, when the War of the French Revolution made such demands upon the English for money, the Bank broke its solemn promises the second time, and did not formally resume payments until 1821. Government and the business men of London did their best to hold up the credit of the notes during the suspension, *but they were not made a legal tender for debts*. Government received them at par for taxes, and provided that business payments in notes would be held as payments in cash if offered and accepted as such. Debtors, having tendered bank notes, which the creditor refused, had certain privileges before the law which other debtors had not. The notes therefore had a *quasi* legalization, but not a forced circulation. The bank was also authorized at this time to issue £5, £2, and £1 notes. Cautiously issued at first, bank paper continued at par for several years after the suspension, which proves