

tions of a month ago. Facilities for obtaining it were in fact distinctly greater; for the law now authorized a special currency issue by the Federal Banks, against which no gold reserve need be held.

What happened? In three weeks \$648,000,000 of the Reserve note currency previously in circulation had been returned to the Reserve Banks. No doubt, this measured disappearance of the panic which had caused unprecedentedly large hoarding of currency at the beginning of March. But even the newly authorized special Reserve Bank currency issues made an unexpected response. In the week of their authorization, only \$3,301,000 was applied for; in the full week ending March 22, \$5,968,000; in the next week \$4,959,000; in the week ending last Wednesday, only \$1,702,000.

This result has caused astonishment, but it is really a very simple matter. The machinery of the Federal Reserve is amply sufficient to provide for the country's need of currency, unless the money-hoarding, superimposed on use of cash instead of checks, in communities whose banking facilities had broken down, had reached an utterly unheard-of pace. But with the public's fear of a general banking collapse removed, the currency, hoarded in amounts vastly beyond even the requirements of normal trade, was bound to come back into circulation, from which it flowed automatically into bank deposits and was taken up by the Federal Reserve.

Perhaps it will be asked why, under such circumstances, we still hear from scattered groups, in and out of Congress, that "inflation" is necessary to end our economic ills and restore the old price level. If there is actually more money now in circulation than is required for trade, payrolls and hand-to-hand payments, why should the Government be asked to put out more? The answer—which is rarely made frankly by advocates of such a plan—is that forced circulation of currency by Government, whether as a donation to favored citizens or to pay its own expenses by printing money for the purpose, would end in depreciation of the currency from the very fact of its excessive issue and that prices, even if unchanged in terms of sound and honest money, would advance when measured in the depreciated currency, in proportion to the extent of the depreciation. It is fortunate that the actual course of events has given opportunity fully to understand the case.

"MORE CURRENCY."

President ROOSEVELT'S curt dismissal of the suggestion that we might solve our troubles by "printing money" was hardly needed as evidence that the danger of inflation and depreciation of the currency—if such danger ever actually existed—is now definitely past. The course of events has settled the question; in particular, it has shown how much and how little sense there was in the talk of an "inadequate circulating medium." Since the banking moratorium was terminated and the emergency banking law enacted, any member bank could obtain from the Federal Reserve, if its customers needed it, additional note currency on the scale that marked the requisi-