

return to the normal conditions of trade. It is the function of this secondary and auxiliary medium of exchange, not only to economize the use of money, but to give it a measure of flexibility.

Though the use of checks, drafts and other credit devices has increased enormously in recent years they have by no means displaced money altogether. It is estimated that about \$150,000,000,000 worth of checks and drafts annually pass into and through the clearing houses and banks of the United States. A glance at these figures might lead us to conclude that the extensive use of money substitutes, leaves little room for the circulation of coin or bank notes. We must not forget, however, that fully one billion dollars in actual money circulate outside the banks. Nor is it at all improbable that each piece of this outside circulation changes hands on an average as many as three times a week, which would enable it to perform a monetary service equal to that of checks, drafts and other credit devices combined. So long, then, as half the field remains for the employment of money, the sphere of its use is liable to expansion and contraction. Any enlargement of the volume of business transactions somewhat foreign to the use of deposit currency, checks, drafts, etc., calls for actual money, and, under legislative requirements for the maintenance of minimum cash reserves, compels a contraction in the amount of credit transactions that can be based on the residue.

It is a well known fact that there are "tides in the demand for tangible money for actual use" and the circumstance that is most largely responsible for this recurring need for additional specie or bank notes is the necessity for harvesting and marketing the crops within such a short space of time. This results not only in a congestion and temporary multiplication of transactions, but also in an increase in the kind of payments for which checks and drafts are little used. The annual crop of 14,000,000 bales of cotton, 750,000,000 bushels of wheat and 3,000,000,000 bushels of corn must be marketed and paid for within two or three months after the harvest season. Payments for agricultural produce are as a rule made by means of check or draft on a cotton or grain-buying center, but the majority of farmers and planters belong to the non-banking classes. The draft is cashed at the store or bank, the season's bills are settled, and the balance is taken in coin which is held in temporary hoard and gradually paid out for help or for winter supplies. Thus the farming class have larger sums in their possession for the three or four months succeeding the sale of crops than at