thus incurring the expense of the trip both ways yet getting an income from it for only one way. But the round trip ticket does not meet this possibility. No one with a round trip ticket goes one way and back on the same train. He has the whole season to go back in. The "ballast" possibilities are excluded by a sort of general average, and that would be so if there were no round trip tickets at all. This deviation from regular charges simply imposes an extra money burden on those who are usually least able to bear it, the passengers who go only in one direction.

The whole complex system of differential fares seems to result from a habit of railroad officials which had its origin in the old railroad maxim that railroad tariffs should be "all the traffic will bear." A curious instance of the operation of this habit may be observed in one of the Atlantic states. The regular fare from a certain village to New York is something more than $2. Round trip tickets cost about $4. Yet tickets in slips of ten, good for anybody, can be bought for $10.90—$1.09 a ride. This is so much less than the regular fare that persons who do not need ten rides, rent rides as they do need them, from village shop keepers, for $1.19 each—an advance of ten cents upon the cost. The net result of it all is that unsophisticated persons pay nearly twice as much to get from that village to New York, as those pay who have been "put next." Now, if that railroad finds it profitable to sell those tickets for $1.09 each, why would it not find it more profitable to sell all tickets for that price? It certainly would be more honest.

It is hardly possible to conceive that both railroads and people would not be benefited by the total abolition of differential fares and the reduction of passenger transportation to the basis of the lowest profitable differential charge. This applies also, in great degree at least, to commutation tickets. A commuter costs the company as much to carry him as his visiting friend does; unless it be that the company makes a little gain when the commuter now and then skips dates. But why should the transient passenger, who imposes no greater expense upon the company, be compelled to pay a higher fare? Why not in common honesty and common sense abolish altogether the wholesale pretense in this business in which the wholesale principle is barely if at all operative.

Vice President Roosevelt does not hesitate to challenge suspicions of his intelligence or his honesty. In a Boston speech on the 30th he contrasted the business depression preceding McKinley's first term with "the extraordinary domestic prosperity" that has succeeded, and attributed the improvement to "the present tariff policy." Yet Mr. Roosevelt should have known that the business depression to which he referred had swept over the commercial world, affecting free trade countries and tariff countries alike, and that it has been succeeded everywhere by what he calls "extraordinary domestic prosperity." Free trade England and free trade New South Wales recovered from the depression sooner than this country did, without making any tariff changes. Neither Mr. McKinley nor his tariff policy did it. If Mr. Roosevelt doesn't know this, he is ignorant of facts that a man in his position ought to know. If he does know it, he is guilty of deliberate deception.

"The lender now is looking for the borrower," said Mr. McKinley at McComb, Miss., in support of his boast of our great national prosperity. That is to say, capital is looking for a job. That capital is looking for a job is doubtless true. . But how does that prove our country prosperous? In times of real prosperity the lender does not look for borrowers; borrowers look for lenders. For prosperity makes it profitable to use capital.

THE PASSING OF THE BALANCE OF TRADE FALLACY.

The idea that excessive exports are necessarily indicative of profitable foreign trade, and therefore an index to domestic prosperity, is so exceedingly thin that it cannot endure discussion. And this is the ordeal to which at last that extremely fragile doctrine seems about to be subjected.

The discussion has opened in England, where they have for two generations believed that profitable trading consists not in excessive exporting but in excessive importing. But the fallacy as to favorable balances is thrust out into the light of day, no matter which point of view starts the discussion. All that is needed is a discussion which forces the pleaders for the fallacy to explain.

This one of them has attempted to do in the London Daily Mail. We refer to J. Holt Schooling, whose article on the subject recently appeared in that paper. Mr. Schooling concludes that "up to a certain point" excessive imports imply domestic prosperity; but beyond that point they exhibit a dangerous trade condition. Exactly what he means will be better understood by quoting from him an illustration which is intended to bring out his argument clearly. Indeed, it constitutes his argument. He aims to show, as he says, that "while the extreme of both opinions is wrong"—on the one hand that excessive imports are favorable, and on the other that they are not—"the moderate opinion of both sides is right, contradictory as this proposition reads," and here is his argumentative example:

A man named John Bull is a capitalist, general merchant and carrier. He has invested capital outside his own business that brings in $2,500 a year, he sells his own goods to the extent of $7,500 a year, and his carrying trade earns for him $1,500 a year. Total income, $11,500.

This merchant buys goods from outside that cost him $10,000 a year—his imports are $2,500 a year in excess of his exports. But Bull is prosperous, for this excess of imports is more than counterbalanced by interest on his capital invested outside his business and by the earnings of his carrying trade.

Ten years pass. Bull's outside invested capital still brings in $2,500 a

year, and his goods still sell to the value of $7,500 a year; his carrying trade has increased to $2,000 a year. Total income, $12,000 a year.

But John Bull has a larger family, and he is not an economical man. His yearly purchases have increased rather quickly; they now cost him $12,000 a year. His imports exceed his exports by $4,500. A large excess of imports, but still John Bull's position is sound.

Ten more years pass. Many of John Bull's chief articles of sale have fallen; trade rivals in other places have cut him out. But as the sales of many of the smaller articles have increased, John Bull still sells goods to the value of $7,500 a year. His carrying trade has increased to $2,500 a year, but his income from outside investments has dropped to only $2,000, for the reason that Bull has had to sell out some of his foreign stock (some of his American railway stock) in order to pay his way, for his imports have now increased to $12,500.

His income is now $12,000 a year, and his imports are $5,000 in excess of his exports. The excess of imports over exports has ceased to be a measure of prosperity, and it has become a sign of danger.

Commenting on this situation, Mr. Bull's accountant explains:

It was quite right, sir, for you to have an excess of imports over your exports some years ago, when this excess of imports was made up of interest on your capital invested abroad, and of profit from your carrying trade; but now, with your stagnant sales, with your big lines of trade declining, with your rivals so pushing, with your wants and your household expenses still greatly expanding, and with the necessary realization of some of your foreign investments to pay for your large imports, it is my duty to tell you plainly that your business is not in a sound condition.

The illustration is a good one, and Mr. Schooling's inference from it is unassailable. It is true, as he maintains, that there is a point up to which excessive importing implies prosperity, but beyond which it is a signal of danger.

Mr. Schooling does not venture to fix the point, but his mythical accountant does it for him. It is where the excess of imports ceases to represent income and begins to represent indebtedness. In other words, so long as excessive importing incurs no obligation, but is the measure of interest, rent, gift or other clear profit from abroad, it indicates domestic prosperity; but when it begins to raise an obligation, redeemable in the future under possibly stringent conditions, then it gives warning of breakers ahead.

Conversely as to excessive exporting. So long as excessive exporting secures obligations from abroad, either by way of loans or of purchase of fixed property for investment, it indicates domestic prosperity, because these investments are the foundations for future importations of interest, rent or other profits. But when excessive exporting does not secure obligations from abroad, or ceases to do so, then it does more than give warning of breakers ahead; it testifies to a debilitating drain upon the resources of the exporting country.

Excessive exporting, therefore, as well as excessive importing, may or may not be a good sign. As excessive importing is a danger sign when the excess represents accumulating obligations to pay, so conversely is excessive exporting a good sign when the exporting country is possessing itself of those obligations. On the other hand, as excessive importing is a good sign when the excess represents interest, rent, gifts, and other profits from abroad, so conversely is excessive exporting a debilitating sign when the exporting country is bearing the burden of those payments.

Now, let us apply that very obvious conclusion to our own boasted excess of exports.

We have long been told that excessive exporting is a good thing in itself. This is absurd. No country can get rich by merely sending things away without either return or expectation of return. As a permanent condition, excessive importing and not excessive exporting would be the profitable experience. If our excessive imports are never to be paid for, but are to be a continual inflow, then the more we have of them the richer we shall be. There is no limit, no point at which, in those circumstances, they cease to be profitable and become signals of danger. On the other hand, if our excessive exports are never to be paid for, but are to be a continual outflow, then the greater they are the poorer we shall become. Were the question in its practical aspects merely one of the relative desirability of a perpetual excess of imports or a perpetual excess of exports, the choice of any country would obviously be, as a business matter, in favor of excessive imports.

But, assuming commercial statistics to be accurate, it is only when a country pays tribute—as when Ireland ships produce to absentee landlords for rent—that its excessive exporting can be perpetual; and only when a country receives such tribute can there be a perpetual excess of imports. In trading, the constant tendency must be toward an equalization or balance. Exports and imports must be equal.

That tendency of trade is so obvious that American advocates of perpetual excessive exporting have endeavored to screen the absurdity of their balance of trade theory by explaining that they do not mean that excessive exports are not paid for, but only that they are not paid for in merchandise. What they have urged is that excessive exports of merchandise are paid for with gold and silver. That was President McKinley's explanation. In a speech not yet many months old he distinctly said that our enormous balances of exports come back to us in pure gold. He has often put forth the same idea, even if not always so distinctly. But this explanation has been so completely discredited by treasury statistics that only very ignorant defenders of the excessive export policy now resort to it.

According to the treasury statistics (see Monthly Summary for June, 1900, page 3,424), the total excess of American merchandise exports from the foundation of the government to June 30, 1900, was $2,046,588,012. And instead of having been paid for in gold and silver by excessive imports of those metals, that excess of merchandize exports appears by the same report and at the same page to have been increased during the same period by $1,461,597,093 of excessive exports of gold and silver. During the subsequent nine months, to March 31, 1900, as shown by the treasury sheet of exports and imports for March, this total of excessive exports has been increased by $540,687,337 in merchandize, and reduced by only $4,903,888 of excessive imports of gold and silver. Tabulating these figures, we get the following result:

September 30, 1790, to June 30, 1900:

Excess of merchandise EXPORTS	$2,046,588,012
Excess of gold and silver EXPORTS	1,461,597,093
June 30, 1900, to March 31, 1901:	
Excess of merchandise EXPORTS	540,687,337
Total excess of EXPORTS	$4,048,872,442
Excess of gold and silver IMPORTS	4,903,888
Total excess of EXPORTS of all kinds—merchandise, gold and silver—from the foundation of the government to March 31, 1901	$4,043,968,554

It is plainly impossible to discover in those official figures the slightest indication of any payment which this country has received for the enormous aggregate of excessive exports which it has rolled up since 1790 and is still augmenting. They certainly were not paid for with gold and silver.

The question arises, then, whether this enormous export balance of $4,043,968,554 is invested in foreign countries. The "favorable balance" pleaders insist that whatever may have been the fact in the past, the excessive exports now are being invested in foreign loans and property, except as they are being used to redeem our foreign indebtedness.

But how happens it that we have a foreign indebtedness? Is that consistent with excessive exporting? If we have for more than a century been sending merchandise, gold and silver abroad, to such an excess over what we have received back, as to amount nine months ago to an aggregate excess of $2,046,588,012 in merchandise, and $1,461,597,093 in gold and silver—a total of all exports of $3,508,185,105—why should we owe any foreign debts? What could we possibly have received for which we did not pay as we went along? If that enormous excess of exports left us in debt, then our foreign trade down to last June, notwithstanding that it showed a huge export balance, must have been decidedly unprofitable.

As to the present condition of our trade, if we are indeed now paying off old debts abroad, or investing in foreign property, then our exporting is to that extent a sign of profitable trade. It means that we are laying a foundation for securing in the future a claim to importations that in time will give us an excess of imports. But what evidence is there that the excessive American exports of the present time are used either to liquidate old debts or for investment in foreign property?

During the past nine months our excessive exports of merchandise have amounted, as shown in the table above, to $540,687,337, for which we have received in gold and silver only $4,903,888, leaving an export balance of all kinds of property—merchandise, gold and silver—of $535,783,449. There is not the slightest reason to believe that more than a small fraction of this amount has been used to redeem old debts abroad or to invest in foreign bonds or property. On the contrary, we still appear to be exporting without receiving back an equivalent either in foreign investments or current imports.

What these excessive exports of ours doubtless do mean, assuming the figures to be correct—and that is a violent assumption—is that for the most part the people of this country are shipping to foreigners rents, interest, dividends, gifts and tribute of various kinds. One instance will illustrate: Astor lives in London. Owning land in New York, he draws rents regularly from this country. These rents enter into the swelling volume of our exports; and we never have received, do not now and never shall receive, anything for them. They are an item of excessive exports of the permanent kind, and to that degree a drain upon the resources of this country. When to the Astor case shall have been added that of Scully and the thousands of other foreign owners of American land, our volume of excessive exports will be largely accounted for.

But how does such a balance of trade contribute to our prosperity? In fact it does not contribute to it at all. It is a debilitating drain.

We should be thankful to know that the discussion now going on, especially in England, of which the quotation from the London Daily Mail given above is an example, is bringing this truth to the surface. With a full discussion of the favorable balance of trade theory, that confusing fallacy will pass out of the public mind, and with it will disappear the greatest economic superstition of all time—the devil's doctrine of protection to home industry.

EDITORIAL CORRESPONDENCE.

New Orleans, April 30.—For the first time in its history New Orleans is undergoing the hopes, anxieties and general excitement of a "boom." The delightfully lethargic disposition of this old city of the creole, where the soft and balmy air, the beautiful sunshine and the cool shadow, the delicious pompano and the seductive mint julep, the intelligent and lovable men and women, the queer foreign structures and the familar American folks make the stranger feel that now he has come to the fabled place where it is always afternoon—this disposition to drowse like a gentleman and a scholar has been rudely shaken. The inviting city by the southern sea is torn and wrenched from curb to attic by a speculative craze.

It is not a local boom, but it is one with as many bustible possibilities. The city has gone wild over the great oil discoveries along the Texan border, 200 miles away. They are not yet producing oil from them, and there is no great excitement on that score. The excitement is over the transfer of natural opportunities for oil production. Workmen can be hired at leisure, but oil land must be caught on the fly. Companies are being formed almost daily, with shares ranging in price from ten cents upward; and the shares that sold yesterday for a dime may bring 25 cents to-day and 50 cents to-morrow, all without any new discovery, any actual oil production, or anything whatever but the chatter of the street and the speculative fever of the people.

This economic disease, the new yellow fever of the south, is only in its early stages in New Orleans. Hardly a fortnight has gone since the first symptoms appeared. But already visions of the historic tulip craze of Holland are revived, and Mark Twain's stories in "Roughing It" of the flush days of Nevada City are reenacted in New Orleans on a smaller but rapidly expanding scale,