periods may be depended upon to oppose new truth whenever it rubs up against settled convictions or vested interests.

THE AMERICAN EXPORT TRADE.

Foreign markets are commonly supposed to be commercial necessities. More or less intelligently it is assumed that without that outlet domestic markets would be glutted, to the ruin of home business and the impoverishment of home labor through over-production. Why they should be so popular as an outlet is not clear. Overproduction might be avoided as effectually by burning our surplus or dumping it into the ocean as by thrusting it upon other peoples. Probably, however, the preference comes from a vague feeling that foreign markets, while avoiding overproduction, yield affirmative benefits of some sort in addition. Be that as it may, a notion that overproduction at home can be prevented only by opening markets abroad, has in one way and another long influenced the foreign policies of commercial nations.

It explains the "open door" policy in China, which England has made peculiarly her own: she asserts the right of sending her surplus goods to China upon the same terms as to entry as the most favored nation enjoys. It is the meaning, paradoxical as that may seem, of opposition to the "open door": the object of the nations that oppose the policy is a monopoly of Chinese markets for their own surplus goods. It throws light upon the commercial aspects of the colonial policy of this country: upon the theory that exports follow the flag, our colonies are expected to absorb our surplus.

In none of these instances does the question of buying in foreign markets cut any figure. No nation appears to want to buy. Emphasis is placed altogether not upon opportunities for getting goods, but upon opportunities for getting rid of them. So dominant is that theory of commerce that in common speech, and to an astonishing degree in common thought, exporting is classed as the only profitable part of international trade. No nation strives to import; all strive to export.

A little unbiased consideration will show that notion to be erroneous. Profitable trading can consist neither in exporting alone nor in importing alone, but in both exporting and importing. As Henry George explains in the chapter on "Exports and Imports" of his famous and wonderfully lucid book on "Protection or Free Trade,"—

> exports and imports, so far as they are induced by trade, are correlative—

each being "the cause and complement of the other;" and—

> so far from its being the mark of a profitable commerce that the value of a nation's exports exceeds her imports, the reverse of this is true.

But in spite of George's rational view, it is the common belief, as we have already noted—a belief generated by the assumption that a country must get rid of its surplus or suffer the "impoverishment of overproduction"—that every energy of a nation should be directed toward obstructing importation and accelerating exportation. Importing is regarded as augmenting the supply of commodities at home, where there is already a surplus, and consequently as tending to frustrate the prime object of exportation; whereas exporting is curiously supposed to increase the national wealth.

Statistics of excessive exports, therefore, are commonly taken,—not merely by uneducated and inexperienced dupes, but also by professional and business men—as conclusive proof of national prosperity. The Chicago Tribune, for instance, in a recent issue, editorially concluded that as "the nation is now able to export a large proportion of its manufactures," it is "thus annually increasing the total wealth of the people by many millions of dollars."

To that common but absurd notion the McKinley-Roosevelt platform shrewdly appeals. Asserting that the country is extraordinarily prosperous, and claiming for the McKinley administration the credit for having made it so, this platform undertakes to prove both the assertion and the claim in the following clause:

> No single fact can more strikingly tell the story of what republican government means to the country than this—that while during the whole period of 107 years, from 1790 to 1897, there was an excess of exports over imports of only $383,028,497, there has been in the short three years of the present republican administration an excess of exports over imports in the enormous sum of $1,483,537,094.

The people are thus asked to believe that during McKinley's administration the country has prospered vastly more than ever before, because it has during that period rolled up an immensely larger balance of exports—that is an immensely greater excess in value of goods sent away over goods received back—than it rolled up during all the previous history of the country. This comparison is treated by the platform, and is being treated by republican editorials, speeches and campaign documents as evidence of a wonderful increase in the aggregate wealth of the country.

But so far as it is evidence of anything, it is evidence of the reverse. Our excessive balance of exports, instead of testifying to an augmentation of wealth at home, testifies to a drain of wealth from home. We shall show the truth of this not alone by reference to general and familiar facts and the elementary principles of common sense, but also from the very collections of commercial statistics upon which the clause of the McKinley-Roosevelt platform quoted above assumes to rest.

II.

Let us at the start give the McKinley administration the benefit of the full balance of excessive exports to the credit of which it is entitled if entitled in this connection to any credit at all. The platform claims a balance of merchandise exports of only $1,483,537,094. That brings the balance down only to the beginning of March, 1900. But the full amount reported by the treasury department down to the 31st of May, 1900, the date of the last report prior to the McKinley-Roosevelt convention, is not less than $1,616,432,900.

Our method of arriving at that result may be tested by anyone who cares to take the trouble. From the "Monthly Summary of Commerce and Finance of the United States" for May, 1900, issued by the treasury department and to be found in almost any reference library, we gather the data for the following table:

TABLE NO. 1.

Excess of MERCHANDISE IMPORTS from March 1 to June 30, 1897, the first four months of McKinley's administration ("Monthly Summary," page 3355)	$26,219,675
Excess of MERCHANDISE EXPORTS from June 30, 1897, to June 30, 1899, the next two years of McKinley's administration ("Monthly Summary," page 3355)	1,145,307,489
Showing the net excess of MERCHANDISE EXPORTS from the beginning of McKinley's administration to June 30, 1899, to have been	$1,119,087,814
Excess of MERCHANDISE EXPORTS from June 30, 1899, to May 31, 1900, the date of the lat-	

est monthly report prior to the McKinley-Roosevelt convention ("Monthly Summary," page 3355)	497,345,086
Showing the excess of MERCHANDISE EXPORTS during the McKinley administration to have been	$1,616,432,900

If it be true, then, that excessive exports augment a nation's wealth, President McKinley's administration has been even more beneficent than the Philadelphia platform claims. But do those statistics of excessive merchandise exports imply a gain to the national wealth? Do they mean that the country possesses in consequence more wealth, or is entitled in consequence to get more wealth? Or do they mean that it has been to that extent drained of wealth? Upon the answer to that question the prosperity claim of the republican platform hinges, for it asserts that "no single fact could more strikingly tell the story" than those statistics of excessive merchandise exports. They are put forth as a star witness to McKinley prosperity.

Upon the face of the statistics quoted in table 1, there is obviously a loss to the country of $1,616,432,900. For the table shows that merchandise to that value has gone out of the country in excess of all merchandise that in the same period has come into the country, and it does not show that anything whatever has been received in the past or is to be received in the future in payment. Unquestionably, therefore, so far as that table affords any light, our excess of merchandise exports could as profitably have been thrown into the sea.

III.

But there are other things to consider besides statistics of the merchandise balance.

The McKinley-Roosevelt platform mentions nothing else, but disingenuously leaves the people to infer, as many thoughtless partisans doubtless do infer, that this great excess of exports has been paid for in money—that is, in gold and silver. Mr. McKinley himself, in a speech at Mount Horeb, Wis., October 16, 1899, as reported by the Chicago Tribune of October 17, 1899, definitely asserted of the merchandise balance of exports then accumulated:

> We send more of our goods abroad and buy less abroad than formerly, and the balance of trade is, therefore, in our favor, and comes to us in pure gold.

Our next step, then, shall be to ascertain from the treasury statistics whether that is true.

Turning to the same "Monthly Summary" as before—the issue for May, 1900, we find the data for the following table of silver exports and imports during President McKinley's administration—ore, bullion and coin:

TABLE NO. 2.

Excess of SILVER EXPORTS from March 1 to June 30, 1897, the first four months of McKinley's administration ("Monthly Summary," page 3358)	$9,341,791
Excess of SILVER EXPORTS from June 30, 1897, to June 30, 1899, the next two years of McKinley's administration ("Monthly Summary," page 3358)	49,821,457
Excess of SILVER EXPORTS from June 30, 1899, to May 31, 1900, the date of the latest monthly report prior to the McKinley-Roosevelt convention ("Monthly Summary," page 3358)	21,167,628
Showing the excess of SILVER EXPORTS during President McKinley's administration to have been	$80,330,876

So there has been no payment in silver for our excessive merchandise exports. On the contrary, the statistics of silver shipments increase the net exportation. Thus:

TABLE NO. 3.

Excessive merchandise exports during McKinley's administration, as shown in Table 1	$1,616,432,900
Excessive silver exports, same period, as shown in Table 2	80,330,876
Excessive exports, both merchandise and silver	$1,696,763,776

Gold is to be considered next. The import and export statistics of this metal are in the same "Monthly Summary." We tabulate them as follows:

TABLE NO. 4.

Excess of GOLD EXPORTS from March 1 to June 30, 1897, the first four months of McKinley's administration ("Monthly Summary," page 3357)	$19,846,052
Excess of GOLD IMPORTS from June 30, 1897, to June 30, 1899, the next two years of McKinley's administration ("Monthly Summary," page 3357)	156,417,800
Net excess of GOLD IMPORTS from March 1, 1897, to June 30, 1899	$136,571,748
Excess of GOLD IMPORTS from June 30, 1899, to May 31, 1900, the date of the latest monthly report prior to the McKinley-Roosevelt convention ("Monthly Summary," page 3357)	671,117
Excess of GOLD IMPORTS during McKinley's administration	$137,242,865

It is true, then, that some gold has come into this country during McKinley's administration, to offset the excess of exports of merchandise and silver. But the amount is only $137,242,865—about 8 per cent. of the excessive exports; and when we tabulate the exports and imports of all things, gold and silver as well as merchandise, we still have an enormous export balance. It is summarized in this table:

TABLE NO. 5.

Excess of MERCHANDISE exports during McKinley's administration, as shown in Table 1	$1,616,432,900
Excess of SILVER exports same period, as shown in Table 2	80,330,876
Gross excess of EXPORTS	$1,696,763,776
Less excess of GOLD imports, same period, as shown in Table 4	137,242,865
Net excess of EXPORTS, inclusive of merchandise and gold and silver, same period	$1,559,520,911

We now have a net excess of exports, inclusive of gold, silver and merchandise of $1,559,520,911. This sum represents the value of the tangible wealth which, according to the treasury statistics, has gone out of the country during President McKinley's administration, in excess of what in the same period has come into the country. On the face of the statistics thus far considered that amount is a total loss.

IV.

The next most obvious consideration is the possible application of this sum of $1,559,520,911—more than a billion and a half—to the payment of old debts. Can it be accounted for as having gone to pay debts owing from Americans to foreigners?

Even should that turn out to be the case, the fact would remain that our excessive exports have not increased the aggregate tangible wealth in the country. While the exportation of wealth to foreign countries in payment of debts is commendable, it does not augment the amount of wealth at home. Since the wealth of the creditor country is to that extent thereby increased, the wealth of the debtor country cannot be thereby increased at all. Both countries can by no possibility acquire wealth by the same transfer of wealth. What one gets the other must part with. The paying country may in consequence have a better conscience and a better credit for the future, but in the very nature of the case it must have less available wealth.

Nevertheless, assuming that if the vast excess of exports that has been rolled up during Mr. McKinley's administration had indeed wiped off old debts it would thereby in some manner have enriched this country, let us proceed to inquire into the fact. Has it been devoted to the payment of debts which at the beginning of McKinley's administration people in this country owed to people abroad?

A precise statement that this has been done was made recently by the

New York Times, a McKinley-Roosevelt organ. That paper put forth a conjectural estimate that during the past six years, in which period the excessive exports amounted to over $2,000,000,000, American securities held abroad were thrown back upon our market to the amount of $700,000,000. As that is only about one-third the export balance of the period, the explanation falls two-thirds short of accounting for the balance. But this apart, it is to be observed that the question is not merely whether American securitites have come back upon our market. That is only part of the question. As gold all the time flows both ways, so securities may all the time flow both ways. The question is, therefore, whether the American securities thrown back upon our market in the given period exceed the securities that went out of our market. What we have to consider is the excess. Nor is the excess to be determined by the item of listed securities alone. Deeds and mortgages, as well as listed securities, are to be counted in. To the extent that American deeds and mortgages have gone abroad, to that extent the effect upon our trade balance of listed securities returned is nullified. And that it is more than nullified in that manner there can be no reasonable doubt.

Moreover, the reference to securities returned begs the whole statistical question of excessive exports. For it is very certain that excessive exports cannot be accounted for upon the theory of old debts paid, unless upon a general balance it appears that we owed old debts to pay. And the fact is, if the treasury statistics are to be relied upon, that we owed nothing to foreign countries when McKinley's administration began. On the contrary, foreign countries even then owed us an enormous balance. Observe, now, that this assertion is not made as the statement of an actual fact. It is a statement of what the statistics show—the same line of treasury statistics to which the McKinley-Roosevelt platform refers as evidence of McKinley prosperity. According to those statistics our excessive exports at the beginning of the McKinley administration amounted to almost $2,000,000,000.

This is demonstrated in the two following tables:

TABLE NO. 6.

Excess of MERCHANDISE IMPORTS from September 30, 1835, to June 30, 1873 ("Monthly Summary" for May, 1900, page 3356).	$1,598,803,055
Less the excess of GOLD EXPORTS for same period ("Monthly Summary" for July, 1896, page 68)	924,851,834
Excess of MERCHANDISE IMPORTS for same period, after deducting gold exports	$673,951,221
Less the excess of SILVER EXPORTS for same period ("Monthly Summary" for July, 1896, page 68)	116,891,434
Net excess of MERCHANDISE IMPORTS for same period, after deducting excess of exports of both gold and silver	$ 557,059,787
Plus the estimated excess of IMPORTS (merchandise, gold and silver) from 1789, the year of the foundation of the federal government, to September 30, 1835, when the "Monthly Summary" begins to tabulate	636,152,326
Net excess of IMPORTS (merchandise, gold and silver) from the foundation of the government to June 30, 1873	$1,193,212,113

It is thus ascertained, if the treasury statistics to which the McKinley-Roosevelt platform appeals are to be trusted, that on the 30th day of June, 1873, people in the United States were indebted to foreigners, on export and import account, in the sum of $1,193,212,113. We bring the data down to June 30, 1873, because from that date forward the United States changed from an importing to an exporting country. In only four different years thereafter—1875, 1888, 1889 and 1893—did its imports exceed its exports, and then only slightly. Consequently Americans must have begun from June 30, 1873, to pay for their previous excess of importations. This brings us to the second of the two tables promised above, in which we proceed to show that American indebtedness abroad, due to excessive imports prior to 1873, had been more than paid off with excessive exports when President McKinley's administration began:

TABLE NO. 7.

Excess of MERCHANDISE EXPORTS from June 30, 1873, to June 30, 1896 ("Monthly Summary" for May, 1900, page 3356).	$2,289,058,105
Ditto, from June 30, 1896, to March 1, 1897, the beginning of McKinley's administration ("Monthly Summary" for May, 1900, page 3,355)	312,482,819
Excess of SILVER EXPORTS from June 30, 1873, to June 30, 1896, ("Monthly Summary" for July, 1896, page 68)	338,339,611
Ditto, from June 30, 1896, to March 1, 1897, the beginning of McKinley's administration ("Monthly Summary" for May, 1900, page 3,358)	22,071,620
Excess of GOLD EXPORTS from June 30, 1873, to June 30, 1896, ("Monthly Summary" for July, 1896, page 68)	190,787,646
Gross excess of EXPORTS (merchandise, gold and silver) from June 30, 1873, to March 1, 1897...	$3,152,739,801
Less excess of GOLD IMPORTS from June 30, 1896, to March 1, 1897, the beginning of McKinley's administration ("Monthly Summary" for May, 1900, page 3,357)	64,499,252
Net excess of EXPORTS (merchandise, gold and silver) from June 30, 1873, to the beginning of McKinley's administration.	$3,088,240,549
Deduct net excess of imports accumulated prior to June 30, 1873, as shown in Table 6	1,193,212,113
Showing net excess of EXPORTS (merchandise, gold and silver) from the foundation of the government to the beginning of McKinley's administration to have been	$1,895,028,436

Our inquiry down to this point may be summarized in the next table:

TABLE NO. 8.

Net excess of EXPORTS (merchandise, gold and silver) from the foundation of the government to the beginning of McKinley's administration, as shown in Table 7	$1,895,028,436
Net excess of EXPORTS (merchandise, gold and silver) from the beginning of the McKinley administration to May 31, 1900, as shown in Table 5	1,559,520,911
Total excess of EXPORTS (merchandise, gold and silver) from the foundation of the government to May 31, 1900	$3,454,549,347

The McKinley administration is, therefore, in a worse position now than at the beginning of our inquiry into the question of prior indebtedness. Instead of having a billion and a half of excessive exports to account for, it must account for more than three billions—in exact figures, $3,454,549,347. For upon the face of the treasury statistics that is the value of the tangible wealth—merchandise, gold and silver—which has been sent out of the country since the foundation of the government, for which, so far as the statistics we have yet considered show, nothing whatever has been received in return. Up to the present point, then, there is an unexplained loss of $3,454,549,347, to which the McKinley administration has, upon the confession of the McKinley-Roosevelt platform, contributed a billion and a half.

V.

Another step for the purpose of accounting for this large apparent loss to our national wealth may now be taken. Have the people of this country acquired credits abroad as an offset, in whole or in part, to their excessive exports?

One kind of international credit consists in foreign investments of a permanent character. We will consider that kind first. Have people in this country, then, invested in foreign bonds, stocks and land, so as to offset in any degree our $3,454,549,347 worth of excessive exports?

As to investments directly in land, either by purchase or mortgage, there is no way of answering the question statistically. But general observation is sufficiently convincing. Who knows of any American investments in foreign land or in mortgages upon foreign land? The instances are exceedingly rare. But who does not know of foreign investments in American land or American mortgages? Isn't it notorious that for years foreigners have been buying American deeds and mortgages? The tide of investments in land clearly does not flow from America to Europe; it flows from Europe to America. Excessive exports from this country cannot be explained, then, by any assumption that they are invested in foreign land.

Nor does the notion that they are invested in foreign stocks and bonds furnish any better explanation. Some stocks and bonds might get into this country without being discovered by the general business public. But no large amount could be here for any considerable time without becoming subjects of sale and hypothecation. They would thus come upon the American market. Yet there is no evidence that foreign stocks or bonds to any appreciable amount are upon our market. An examination of the "Quotation Supplement of the Commercial and Financial Chronicle," an established Wall street authority, discloses only a few foreign securities upon all the stock exchanges of the country. Not so, however, as to American securities upon the exchanges of Europe. American stocks and bonds in large amounts are there regularly dealt in. This is matter of common knowledge. It may be verified by reference to any recent issue of the London "Economist," a weekly publication of long standing and high financial authority. The inference, then, is irresistibly the same as that respecting investments in American land—foreign investments in American stocks and bonds exceed American investments in foreign stocks and bonds. The tide of investment in these securities, like that in land, runs toward us; our excessive exports cannot have been offset by investments in foreign stocks and bonds any more than by investments in foreign land.

We must find some other explanation than permanent investments abroad.

Another kind of foreign investment remains for consideration. We refer to accounts between bankers.

In open accounts between American and foreign bankers, if a credit exists in favor of the American he can draw bills of exchange to that amount, just as depositors in banks draw checks against their bank balances. When the aggregate of such credits in favor of American bankers exceeds the aggregate of their foreign obligations there is an excess of drafts against foreign bankers upon the American exchange market, and in obedience to the familiar economic law of demand and supply the price of drafts tends to fall.

A limit exists, however, below which the price cannot go. It cannot go so low as to make the discount greater than the cost of importing gold. For illustration: The par of exchange for sight drafts is $4.8665 to the £1 sterling, and gold importations cost about $0.03 to the £1 sterling. Consequently, when the supply of American drafts upon foreign countries is so far excessive as to reduce the price below $4.8365 to the £1 sterling, gold tends to flow to this country. American bankers naturally prefer bearing the cost of gold importations to suffering a greater loss in discounts upon drafts.

It is evident from these considerations that any great item of American credits abroad, in open accounts between bankers, will ordinarily be disclosed in low prices for American drafts upon foreign countries; and that when the price of drafts sinks to the point of gold importation, there will be an inflow of gold in settlement of merchandise balances. In the absence of these phenomena, without adequate explanation, it is a fair inference that this country has no large credits abroad upon open account.

Now, in fact, drafts upon foreign countries have not been low during President McKinley's administration. In corroboration of this assertion we refer to the "Financial Review—Annual" for 1900 (published by the "Commercial and Financial Chronicle," the Wall street organ mentioned above), at page 52. The lowest rates at New York, as there reported, for sight drafts upon London, for each month of President McKinley's administration down to December 31, 1899, are as follows:

TABLE NO. 9.

	1897.	1898.	1899.
January	....	$4 85½	$4 85½
February	....	4 85½	4 85½
March	$4 87½	4 84½	4 86
April	4 88	4 84	4 87
May	4 88	4 85	4 87½
June	4 88	4 86	4 88½
July	4 88	4 86	4 87½
August	4 86½	4 86	4 87
September	4 85½	4 84½	4 86
October	4 85	4 85	4 86
November	4 86	4 85	4 86
December	4 85½	4 85½	4 87

For the months subsequent to December, 1899, the quotations are from the monthly "Quotation supplement" of the "Commercial and Financial Chronicle:"

January	$4 87½	February	$4 87½
March	4 86	April	4 87
May	$4 88½		

So we see that at no time during the McKinley administration, down to the 31st of May, 1900, did the New York price of sight drafts upon foreign countries fall as low as the point at which gold would tend to flow in. Indeed, in 16 months out of the 39, the lowest point reached was still above the par of exchange. The comparatively small amount of gold that did come in over and above what went out (as shown in Table 4) must, therefore, have been imported for other than exchange balancing reasons. It could not have been forced in by a low price for drafts. Moreover, since October, 1898, as appears by the "Monthly Summary" for May, 1900, at page 3357, the excess of gold importations has been falling off. From October 31, 1898, to May 31, 1900, it was only $8,454,118; and in June, 1900, that import balance was almost wiped out by an export balance of gold for the month of $6,107,889.

So far, then, as the usual and reasonable tests can be relied upon, it is evident that our excessive exports are not set off by credits on open account.

But it is sometimes explained that the price of drafts is kept up because better rates of interest can be got abroad than at home upon bankers' short time loans. The point of this contention is that as American bankers with the right to draw upon foreign bankers refrain from doing so, preferring the advantage of foreign interest rates, the market supply of drafts for sale in New York is thereby so far diminished as to stiffen their price.

This explanation of high prices for drafts in the face of an enormous and long continued excess of exports is a bare assertion, made by men who want to believe that excessive exporting is profitable, but who have been forced to abandon all other explanations. Until within a year it was without a particle of evidence to support it, and even now there is nothing to give it plausibility except the fact that in consequence of an exceptionally high rate of bankers' interest abroad, some loans have been made by American bankers to foreign borrowers. That fact, however, cannot explain the persistence with which, in spite of an enormous and continuous excess of exports, sight drafts have approximated par all through McKinley's administration. Although our excess of exports amounted to $1,895,028,436 when McKinley came into office, and has been growing ever since, the price of drafts was then above par (as shown in table 9), and it has never since fallen to the gold importing point. Yet foreign interest rates did not begin to rise until about a year ago. They did not reach a tempting point until October, 1899.

This may be seen by reference to the "Financial Review — Annual" for 1900, cited above, which gives at page 47 the London rate in 1899 for three months' paper. On July 19 it stood at three per cent., the highest point it had then reached; and it did not rise much above that figure until October, after which it fluctuated during the remainder of the year between four and seven per cent. In 1900 it settled down to four per cent. If the high interest abroad has really induced bankers' loans to anything like a sufficient amount to account for the enormous excess of our exports, how shall we account for the enormous excess that preceded the rise in interest rates?

The truth is, as any candid banker would admit, that American bankers' loans abroad ordinarily aggregate about $100,000,000, and that the higher rates of interest abroad have possibly raised that amount to $200,000,000. But this sum falls far short of accounting for the export balance (gold, silver and merchandise) of $1,559,520,911 accumulated during Mr. McKinley's administration (as shown in Table 5), to say nothing of the $3,454,549,347, which is shown in Table 8 to have accumulated since the foundation of the government.

Our excessive exports are not yet accounted for. In greatest part they still appear as a loss to the country.

VI.

To recapitulate. We start (see Table 5) with an export balance of $1,559,520,911—gold, silver and merchandise all considered—which has accumulated during the McKinley administration. This balance swells to $3,454,549,347 (see Table 8) when we review the whole period of our national commerce. Observe, now, that the balance represents wealth that has gone out of the country in excess of the wealth that has come back. Presumably it is to be paid for. But it has not been paid for with either gold or silver: both metals are considered in the computation. It has not gone to pay for former imports: all imports are considered in the computation. It could not have been invested in foreign stocks, bonds or land: the flow of such investments is on the whole from Europe to this country, not from this country to Europe. It cannot be subject to sight draft; the high price of sight drafts precludes that inference. It has not been invested in bankers' short loans beyond a couple of hundred millions: bankers admit this sum to be the limit, and there has in fact been no inducement for such loans until within the past year. Virtually, the whole amount appears, therefore, to have been as complete a loss as if the wealth it expresses had been chucked upon a bonfire or tossed into the sea.

And that it actually is a loss has been strikingly confirmed by an event of recent occurrence. England has negotiated one-half of a loan of $50,000,000 with American bankers. These bankers are to give to the British government $25,000,000 of American wealth in exchange for that amount of British bonds. Now, how would they do this if it were true that in Europe a billion and a half is standing to the credit of this country for excessive exports? Would they not buy up bills of exchange against Europe to the amount of $25,000,000, and with those bills pay for the British bonds? That is to say, would they not upon taking the bonds pay for them by canceling so much of our excessive export balance? Of course that is what they would do, if there were a balance. But they propose doing nothing of the kind. On the contrary, they are preparing to pay for the bonds by shipping gold. The excessive balance of exports since May 31, 1900—yes, the balance for June alone, inclusive of gold and silver as well as merchandise—is more than enough to take up the entire British loan. The monthly treasury statement for June shows it to have been $53,892,852. But this balance of exports is also ignored. Evidently it cannot be drawn against. It, too, is a dead loss. So our purchase of British bonds to the small amount of $25,000,000 must be paid for with gold. Could anything show more conclusively that Europe owes America nothing? Could better evidence be desired that our whole vast excess of exports is an enormous loss? But how can it have been lost? That is the question that now confronts us.

VII.

Some light may be had from an incidental examination of the statistics of the exports and imports of Great Britain.

Trade in that country, says the London correspondent of "The Financial Review—Annual" for 1900, at page 43—

> has been more prosperous during the past year [1899] than for the previous quarter of a century, and probably has been better than in any other year in the history of the country.

The merchandise exports of Great Britain, then, according to the doctrine of the McKinley-Roosevelt platform, ought to have exceeded the merchandise imports. She should have what is called a "favorable balance of trade."

But not so. On the contrary, quite the reverse. In the same publication, at page 47, we find that Great Britain's merchandise imports, not her exports but her imports, were excessive in 1899 to the amount of £155,396,000—over $756,778,520. That is, Great Britain's excessive imports of merchandise during one year of Mr. McKinley's administration, were nearly half as much as America's excess the other way for his entire administration. And during the period corresponding nearly to Mr. McKinley's administration—January 1, 1896, to January 1, 1899—Great Britain's excess of imports of merchandise, according to the same publication at page 47, amounted to £488,616,000—$2,379,559,920.

The question arises then: How can both the United States and Great Britain be prosperous during a given period in which the United States boasts (see Table 1) of $1,616,432,900 excessive merchandise exports and Great Britain boasts of $2,379,559,920 excessive merchandise imports? Does the "favorable balance of trade" theory work either way, according to what you want to prove by it?

Nor are these excessive importations into Great Britain unusual. For many years she has steadily imported more than she has exported. If, then, the doctrine of the "favorable balance of trade," put forth by the republican platform, were true—the doctrine, that is, that countries grow rich upon exports and poor upon imports—Great Britain ought to have been a pauper nation long ago.

The following table compares British exports and imports of merchandise from 1890 to 1899 inclusive. It is taken from that standard British reference work, the "Statesman's Year Book," for 1900 (published by Macmillan), at page 81:

TABLE NO. 11.

Year.	Imports.	—Exports— Domestic.	Foreign.
1890....	£420,691,997	£263,530,585	£64,721,533
1891....	435,441,264	247,235,150	61,878,568
1892....	423,793,882	227,216,399	64,423,767
1893....	404,688,178	218,259,718	58,878,552
1894....	408,344,810	216,005,637	57,780,230
1895....	416,689,658	226,128,246	59,704,161
1896....	441,808,904	240,145,551	56,233,663
1897....	451,028,960	234,219,708	59,954,410
1898....	470,378,583	233,359,240	60,654,748
1899....	485,075,514	264,660,647	65,019,549
	£4,357,941,750	£2,370,760,881	£659,249,181

Total imports...	£4,357,941,750
Total exports...	3,030,010,062
Excess of Imports...........	£1,327,931,688, or $6,467,026,310

We may go back still farther in the statistical history of British exports and imports with similar results, by reference to the "Statesman's Year Book" for 1891, at page 75:

TABLE NO. 12.

Year.	Imports.	—Exports— Domestic.	Foreign.
1881....	£397,022,489	£234,022,678	£63,060,097
1882....	413,019,608	241,467,162	65,193,552
1883....	426,891,579	239,799,473	65,637,597
1884....	390,018,569	233,025,242	62,942,341
1885....	370,967,955	213,081,779	58,359,194
1886....	349,863,472	212,725,200	56,234,263
1887....	362,227,564	221,913,910	59,348,975
1888....	387,635,743	234,534,912	64,042,629
1889....	427,637,595	248,935,195	66,657,484
	£3,525,284,574	£2,079,505,551	£561,476,132

Total imports...	£3,525,284,574
Total exports...	2,640,981,683
Excess Imports.	£ 884,302,891, or $4,306,555,079

Summarizing the preceding tables we find:

TABLE NO. 13.

Excess of British merchandise imports, 1881-90..................	$4,306,555,079
Excess of British merchandise imports, 1891-1900..................	6,467,027,310
Total excess of British IMPORTS for the past 19 years..	$10,773,582,389

Great Britain thus appears in those 19 years to have imported more merchandise than she exported by $10,773,582,389. But this persistent "adverse balance" has not impoverished her. She has waxed fat upon it. Nor has she paid for it with silver or gold. On the contrary, she has habitually imported more silver and gold than she has exported. The details for the past 14 years are given in the next table:

TABLE NO. 14.

Silver imports, 1886-90 (Statesman's Year Book for 1891, page 78)................................	£41,580,801
Gold imports, same period, same reference	80,389,393
Silver imports, 1891-95 (Statesman's Year Book for 1896, page 82)	53,650,474
Gold imports, same period, same reference	140,271,964
Silver imports, 1896-99 (Statesman's Year Book for 1900, page 84)	59,766,994
Gold imports, same period, same reference	131,533,652
Total gold and silver IMPORTS	£507,193,278
Silver exports, 1886-90 (Statesman's Year Book for 1891, page 78)............................	£43,698,502
Gold exports, same period, same reference	66,812,469
Silver exports, 1891-95 (Statesman's Year Book for 1896, page 82)............................	63,261,664
Gold exports, same period, same reference	95,419,194
Silver exports, 1896-99 (Statesman's Year Book for 1900, page 84)............................	63,407,905
Gold exports, same period, same reference	119,058,598
Total gold and silver EXPORTS	£451,658,332

Summary:

Gold and silver imports, 1886-99..	£507,193,278
Gold and silver exports, 1886-99..	451,658,332
Excess IMPORTS..............	£55,534,946 or, $270,455,187

We see, then, that Great Britain has maintained for years not only a heavy import balance of merchandise, but also an import balance of gold and silver. In other words, she has not paid for her excessive imports of merchandise with the precious metals.

Now, why is it that Great Britain, with her towering import balance, is a rich country? Is it not because wealth from other countries is sent to Great Britain to pay dividends on the stock, interest on the bonds, and rent for the land of those countries which are owned in Great Britain? Is it not for the same reason, to put the matter in another form, that ancient Rome grew rich upon the excessive imports from her tributary provinces? or that a modern village prospers upon the excessive imports of the produce of neighboring farms, in payment of rents to retired farmers? Is it not because receivers of foreign tribute live in Great Britain, while the payers of this tribute live in other countries? That is the unavoidable conclusion. Upon their foreign holdings British capitalists receive dividends, interest and rent in a perennial stream of imports, in exchange for which no wealth leaves Great Britain. Those imports are profits upon past transactions, and to that extent it is with the British all import and no export. Of course their excessive imports tend to make the country not poor, but rich. They add to the aggregate of British wealth.

But don't forget the other side of this story. The stream of excessive imports into Great Britain is necessarily a stream of excessive exports out of other countries. And just as its flow into Great Britain tends to enrich that country by giving it wealth without taking wealth from it, so its flow out of the other countries must tend to impoverish them by taking wealth away without bringing wealth back. If Great Britain is enriched by excessive imports, the other countries cannot be enriched by their corresponding excessive exports.

VIII.

We are now prepared to understand the true meaning of the enormous excess of $1,559,520,911 of our exports during Mr. McKinley's administration, as shown in Table 5, and of the $3,454,549,347 since the foundation of the government, as shown in Table 8.

To begin with, the accuracy of the treasury statistics cannot go unchallenged.

Undervaluations to escape tariff duties make the value of our imports appear less than it is in fact. On the other hand, the invoicing by American exporters of their shipments at list prices when those prices are heavily discounted, makes the value of our exports appear to be greater than it is in fact. These overvaluations of exports are largely made by protected trusts, which invoice their exports at the prices charged to American consumers, but actually sell them at lower prices to foreign consumers. By this contraction of import values and expansion of export values, the excess of exports is inflated, though to what extent it is imposisble to estimate. It is certain, however, that the actual excess of exports is nevertheless very large.

An item that further accounts for the excess of exports is ocean freights.

Since foreigners do most of the ocean carrying both ways, they earn most of the freight upon both imports and exports; and as they are foreigners living abroad, the excess must be paid for in exports.

By their service as carriers they really add to the value of our imports; but as freights do not figure in the statistics of imports, which are valued at their cost abroad, this country does not appear by the statistics to get any additional wealth in exchange for exports for freight payments. By this means also our statistical excess of exports is inflated. The amount is commonly estimated at $50,000,000 per year.

Then there are the expenses of American tourists abroad, which for a few years past have been roughly estimated at $100,000,000 a year.

Though this expenditure pleases the tourists, or they would not make it, it drains the country as a whole. Such exportations do not directly or indirectly augment American wealth, any more than an excursion from a country village to a city augments the wealth of the village, or the visit of a farmer's family to a circus augments the wealth of his farm. It is the country to which the tourists' wealth is taken that is enriched, not the one from which it goes.

So, too, with remittances from foreigners in this country to their friends at home. These gifts afford pleasure, no doubt, to the remitters; but there is less wealth in this country by the amount of the gifts. Both countries cannot be commercially enriched by the same gift, and as the receiving country unquestionably is enriched by it, the remitting country must be correspondingly impoverished.

But although exports for freights, and gifts, and tourists' expenses do take wealth out of the country in exchange for which no tangible wealth comes back (unless we consider as to freights that they are offset by the value they add to the imports over and above what the statistics of imports show), yet none of these items can be regarded strictly as tribute. There are items, however, that enter into our excessive exports which are distinctly tribute.

Notable among these items of tribute that thave added to the excessive exports of President McKinley's administration is the $20,000,000 paid to Spain for the sovereignty of the Philippine archipelago. It was a clear outgo, and so far as can be seen at present it is a dead loss. And to that loss all our remittances to maintain the army in the Philippines are to be added.

Perhaps all dividends on stock and all interest on bonds exported to foreign stock and bond holders, ought not to be considered as tribute. Although these items take wealth out of the country without bringing any back, it may be urged with plausibility of some of them that they represent earnings of previously invested capital. But it should not be forgotten that our exports since the foundation of the government were so vastly greater than our imports for the same period, as to challenge that argument at the threshold. We appear, by the statistics, not to have received any great amount of capital in excess of our exports in payment. Such capital as foreigners have let us have must have been for the most part what we ourselves produced for their benefit. And the argument about earnings of foreign capital has no possible application to items of interest on government bonds. Neither does it apply to interest on most state and municipal bonds. Nor to a large percentage of dividends declared by railroad, mining and other monopoly corporations. Nor yet to so much of real estate rents as are paid for the use of land as distinguished from the use of its improvements. Interest on government bonds is not interest produced by the investment; it is a tax levied by the law-making power to reward lenders of capital long ago burned up in powder. We may honorably owe it, but its payment does not in any sense represent an increase in the wealth of our people earned by the capital invested. It is not produced by the capital. Much of the interest on state and municipal bonds is also a mere tax. The same thing is essentially true of all that part of the dividends of monopoly-owning corporations which constitutes exactions under their monopoly franchises as distinguished from the earnings of their plants. And the rent of land as distinguished from the rent of its improvements is in the same category. All the wealth that goes abroad for such purposes is tribute.

Most distinctly so is the rent of land. A Lord Scully, for instance, buys large stretches of farming territory in this country for a few dollars an acre. The payment for it is either an offset against previous exports or is an actual import into this country. But in a few years his tenants in this country pay in rent for that land as much or more every year than the absentee landlord gave for the fee. That point being reached, American exports on account of that transaction become a continuing and constantly increasing drain. Nothing comes back for them. They are as truly tribute as are Irish rents to English landlords. Indeed, they are the same thing.

It is of such payments that our growing export balance is largely composed.

IX.

Let us now gather together the threads of our long, but we trust not uninteresting nor unprofitable inquiry. Since President McKinley claims credit on the basis of our excessive exports during his administration, for having done a profitable foreign trade for the benefit of the American people, we will put the matter in the form of a statement of account in which he shall figure as the agent who has disposed of the people's goods in foreign markets:

PRESIDENT M'KINLEY (Agent),
in account with
THE PEOPLE OF THE UNITED STATES,

Dr.	
To excess of MERCHANDISE EXPORTS from March 1, 1897, to May 31, 1900 (See Table 1)....	$1,616,432,900
To excess of SILVER EXPORTS, same period (see Table 2)	80,330,876
Total liabilities	$1,696,763,776
Cr.	
By excess of GOLD IMPORTS, from March 1, 1897, to May 31, 1900 (see Table 4)	$137,242,865
By exports to foreign ship owners to pay for OCEAN FREIGHTS (at $50,000,000 per year), from March 1, 1897, to May 31, 1900..................	165,000,000
By TOURISTS' EXPENSES during same period (at $100,000,000, with an extra $100,000,000 for the Paris exposition year).....	425,000,000
By GIFTS from foreigners to their friends at home (say)....	100,000,000
By job lot purchase of 10,000,000 refractory Filipinos for account of Civilization	20,000,000
By military expense (at $24,000,000 annually) for civilizing same	40,000,000
By allowance for ERROR in statistics of imports and exports.	100,000,000
By bankers' SHORT TIME LOANS abroad	200,000,000
By payments to foreigners of RENT for American land, INTEREST on American bonds, DIVIDENDS on stock in American enterprises (chiefly TRUSTS), and other forms of tribute*	509,520,911
Total credits	$1,696,763,776

*In this handsome sum of $509,520,911 which goes as tribute from American producers to foreign consumers, the agent takes especial pride. There is reason to believe that in no single presidential term heretofore has so large an amount of surplus American wealth been disposed of with so little return or possibility of return. A continuance of the same policy is confidently expected to produce a condition at no distant day in which American producers will not only be secure against any overproduction of wealth, but will be guaranteed against the possibility of getting enough.

The foregoing statement of account sums up the story of our export trade during McKinley's administration as accurately, probably, as it can be done. And it shows an export balance of $509,520,911, which can be accounted for only as tribute paid to foreign investors in American trusts, and foreign owners of American industrial establishments, American debts and American land. The amount is not as large as the McKinley-Roosevelt platform claims, but it is doubtless larger than Mr. McKinley's friends could wish to have it, when they realize that instead of testifying to national profit it signifies national loss.

And in truth the tribute is larger. All the exports that are accounted for in tourists' expenses and in gifts from foreigners to their friends at home, are drawn away from the country without any return. They deplete our national stock of wealth. The same is true of the item for civilizing Filipinos. So it makes no difference whether those items are correctly estimated or not. Whatever they may be in amount they are a drain. So far as this country is affected by them, it would be as well off if the wealth they represent had been used to kindle a bonfire.

NEWS

The advance of the allied forces in China upon Peking, described in last week's report as having begun on the 4th and proceeded to a victory of the allies after a desperate battle at Peitsang on the 5th, was continued on the 6th, when another battle was fought. This was at Yangtsur, an important walled town on the Pei Ho river, 20 miles above Tientsin. In the Yangtsun fight the Chinese were completely routed. They retreated in confusion towards Peking after losing more than 2,000 men and some of their artillery. The loss of the allies aggregated 700, inclusive of numerous prostrations from the excessive heat, the American loss being ten killed and 62 wounded. Part of the American loss was due to an error on the part of the Russian and the English artillery, which mistook the Americans, who at nightfall had captured and occupied a portion of the Chinese trenches, for a body of Chinese troops. After resting a day at Yangtsun the allies continued their advance, passing Ho Si Wu, 18 miles above Yangtsun, on the 9th, and reaching Ma-tow, 12 miles further up the river, on the 11th, having meanwhile met with no serious resistance.

The safety of the foreign ministers in Peking, assured by our last report down to the 3d, is now assured to as late a date as the 6th, when a message was received from the English minister, Macdonald. Since the 3d, on which date the Chinese authorities agreed to permit the ministers to send cipher dispatches to their home governments, nearly all the envoys have availed themselves of the permission. Of these dispatches, which differ only in detail, we print the one from Mr. Conger. It is without date, but was received in Washington on the 10th, and is as follows:

> The tsung-li-yamen states to the diplomatic body that the various foreign governments have repeatedly asked through the respective Chinese ministers that we immediately depart from Peking under suitable escort. The yamen asks us to fix a date for our departure and to make the necessary arrangements to do so. Our reply is that we will seek instructions from our governments, and that in the absence of such instructions we cannot quit our posts. I must inform you that in order to insure our safe departure foreign troops only can safely escort us, and they must be in sufficient force to safely guard 800 foreigners, including 200 women and children, as well as 3,000 native Christians who cannot be abandoned to certain massacre. We cannot accept a Chinese escort under any circumstances. All my colleagues are dispatching the foregoing to their respective governments.

This telegram was sent probably not later than the 4th, when Mr. Conger succeeded also in sending a message to Gen. Chaffee and the allied relief forces, which reached them at Tsaitun on the 8th. It was as follows:

> Peking, Aug. 4.—We will hold on until your arirval. Hope it will be soon. Send such information as you can.

Mr. Conger's two messages were followed closely by the message of Sir Claude Macdonald, mentioned above, which was dated at Peking on the 6th and reached London on the 14th. Macdonald said:

> Our situation here is desperate. In ten days our food supply will be at an end. Unless we are relieved a general massacre is probable. The Chinese offer to escort us to Tientsin, but, remembering Cawnpore, we refuse the offer. There are over 200 European women and children in this legation.

Although this message is the last trustworthy news from Peking, it is reported that our consul at Chefoo has received word from Mr. Conger dated the 8th, to the effect that the situation was then growing more critical, but that he would hold out until the arrival of the relief forces.

What purports to be an imperial edict, dated at Peking on the 8th, asking for a cessation of hostilities and announcing the appointment of Li Hung Chang as envoy plenipotentiary to conduct negotiations with the powers, was presented by Mr. Wu to the United States state department on the 12th. It was replied to immediately by the state department, which, while acknowledging with satisfaction this appointment of Li Hung Chang, announced that the United States would enter into no negotiations so long as the foreign ministers were in their present perilous condition, nor until the Chinese government had permitted an adequate body of the relief forces to enter Peking and escort the ministers safely to Tientsin, this movement to be arranged to the satisfaction of the generals of the relief expedition. After that, and on the 15th, the American consul at Shanghai, Mr. Goodnow, forwarded to Washington a proposal from Li Hung Chang for the delivery of the foreign ministers outside of Peking, upon a plan which Li Hung Chang was confident would secure their safety. Mr. Goodnow advised against accepting the proposal, and the American government rejected it, reiterating its announcement of the 12th. Nothing further has been heard either from the Chinese authorities or from Li Hung Chang, although it is rumored as we write (16th), that negotiations between the Chinese and the commanders of the allied forces are under way.

The concentration of public interest upon the situation in China makes meager news from the British war in South Africa. Some desultory fighting, connected with the chasing of Boer detachments by the British, is reported; but no important news has come since the capture of Harrismith by the British, noted last week, except that Lord Roberts's fears of last week for the British at Elands river are not confirmed. The garrison was on the 10th still holding out.

Mail advices of the 20th of June from Cape Town, received this week, tell of the congress of the Afrikander National Union, held soon after the Afrikander people's congress, reported on page 280. The Afrikander National union is the new official title of the Afrikander Bond and Farmers' association, commonly known as the "Bond" or "Bund." It is a powerful political body of 20 years' standing—the strongest political body in Cape Colony. The congress was held in the middle of June at the little village of Paare, about 40 miles from Cape Town, and it proved to be in everything the most unanimous meeting of the Bond since the organization of that body. This was ascribed to the war, which the delegates explained had knit the people together. About