

direction, and in spite of her lending larger and larger amounts all over the world she now has a balance of goods coming in. Interest due to England and shipping freights and the commissions earned by her bankers and insurance companies were estimated before the war to amount to something like 350 millions (pounds sterling) a year, so that she was able to lend other countries some 200 millions or more a year and still take from them a very large balance in goods."¹¹

Credit Balance Now Greatly Reduced

What the effect of the war will be on this state of affairs it is not necessary in this study to consider in detail. Suffice it to say that while the United Kingdom extended large loans to her Dominions and allies, the larger volume of her own war borrowing from the United States cannot fail in the future to affect, in a measure at least, the British balance of trade. Moreover the sale back to the United States, during the war, of large blocks of American securities, which represented English savings invested in the United States in former years, will work in the same direction. In refutation of the claim, however, advanced in some quarters that England has ceased to be a creditor country as a result of the financial operations incident to the war, the London "Economist" has quoted with approval certain estimates of Edgar Crammond, the well-known statistician. He has declared that before the war Great Britain held investments abroad valued at about \$20,000,000,000, of which approximately \$5,000,000,000 have been sold. British borrowings abroad of about \$7,000,000,000 during the war would reduce the credit balance to \$8,000,000,000; but to this should be added loans to her allies and other foreign assets placed at \$5,000,000,000 or more.¹² While England, therefore, still remains a creditor nation, with net foreign investments amounting, it is thus estimated, to \$13,000,000,000, her former comfortable position has suffered some alteration.

Having observed certain of the principal features of the trade balance of the United Kingdom, the great creditor and importing nation, we may now turn to a consideration of the trade balance of the United States, the great exporting and, until recent years, debtor country. The relative position of these two in their respective groups may be noted in the following summary of trade conditions in the principal capital-lending and borrowing countries.

FOREIGN TRADE OF COUNTRIES THAT RECEIVE A CONSIDERABLE INCOME FROM THEIR FOREIGN INVESTMENTS OF CAPITAL¹³

Country	Year	Merchandise		Excess of imports
		Imports (consumption)	Exports (domestic)	
United Kingdom	1913	\$3,207,801,000	\$2,556,106,000	\$651,695,000
Germany	1913	2,563,354,000	2,403,311,000	160,043,000
France	1913	1,642,117,000	1,326,950,000	315,167,000
Netherlands	1913	1,574,990,000	1,239,360,000	335,630,000
Belgium	1913	974,623,000	717,152,000	257,471,000

FOREIGN TRADE OF COUNTRIES THAT HAVE BORROWED HEAVILY FROM OTHER NATIONS

Country	Year	Merchandise		Excess of exports
		Imports (total)	Exports (domestic)	
United States (including Alaska, Hawaii and Porto Rico)	1914	\$1,893,926,000	\$2,329,684,000	\$435,758,000
India (Brit.)	1914	594,521,000	792,359,000	197,838,000
Argentina ¹⁴	1913	406,805,000	466,582,000	59,777,000
Mexico ¹⁵	1913	93,020,000	129,971,000	35,951,000

¹¹ Withers, International Finance, p. 83.

¹² Quoted in the New York Evening Post, Financial Section, April 19th, 1919.

¹³ Statistical Abstract of the United States, 1914, pp. 688, 689.

¹⁴ For Argentina the import figure includes only imports for consumption.

¹⁵ For figures of commerce for Mexico include bullion and specie.

We should expect that the imports of the first group of countries would exceed their exports as a consequence of their large excess of invisible credits over debits. The case of the United Kingdom has already been considered. Germany and France were estimated before the war to have \$8,000,000,000 or more each invested abroad. While the investments of Holland and Belgium are much smaller yet they are nevertheless considerable. These importing countries, in addition to their receipt of interest, also enjoy in varying degree large payments on account of shipping services and tourist expenditures.

Prominent among the other importing countries are Switzerland, Norway, Italy, and China. A large excess of imports characterized the trade balance of each of these countries in 1913. In the case of Switzerland, Norway, and Italy the import balance is to be explained, in large part, respectively by tourist expenditures, merchant marine earnings, and receipt of immigrant remittances from abroad. China is a country in the process of borrowing large amounts of foreign capital. Canada, prior to the war, as has been stated elsewhere, was likewise an immature borrowing country and therefore an importing country as well.

The export balance which marks the trade of the second group of countries naturally arises as a result chiefly of the large interest payments on foreign capital invested within their borders. Among the other reasons which apply, especially in the case of the United States, are expenditures of citizens abroad, remittances by citizens and others to relatives and friends in other lands, and shipping charges for ocean transport service.

In our consideration of the visible trade balance of the United States, we shall reduce values to the basis of annual averages for the three years 1911-13. The statement may be presented in tabular form.

FOREIGN TRADE OF THE UNITED STATES, FISCAL YEARS 1911-13¹⁶

Merchandise:

Excess of exports over imports (average annual value)\$575,000,000

Gold:

Excess of imports over exports (average annual value) 34,000,000

Silver:

Excess of exports over imports (average annual value) 22,000,000

Total net excess of merchandise, gold, and silver exports over imports (average annual value)\$563,000,000

This large credit balance was offset by an excess of invisible debits over invisible credits. The United States has probably borrowed a larger amount of capital from other countries than any other nation. Accordingly let us note first among the invisible items the interest payments due to foreign countries. The importation of capital into the United States from Europe dates from the sixteenth and seventeenth centuries. The purpose at that time was the development of sugar, tobacco, and cotton plantations and the extension of mercantile undertakings. Later large amounts of British capital were invested in the securities of the United States government and the state and municipal authorities. Still later the chief American borrowers were the railroads, although much capital has also been invested in the shares of land, mining, and industrial ventures. It is estimated that, in the aggregate, European capital invested in the United States at the time of the outbreak of war amounted to probably more than \$6,500,000,000. Of this about \$2,500,000,000 represented German, French, Dutch, and other non-British capital. The annual interest charge upon these investments of foreign capital amounted, it is estimated, to \$325,000,000. As an offset, however, against this item must be placed the interest received by Americans on their capital invested in Canada, Mexico, Cuba, the Philippines, South America, and elsewhere. United States capital

¹⁶ Compiled from the Statistical Abstract of the United States, 1914, pp. 317, 459, 460.