

made the subject of speculative study. From being a perennial borrower on the foreign markets, the United States has become an important lender, and many writers are searching for causes for the change of position, and finding in the new development evidence of the growth and prosperity of the country.

The first indications of a change in the financial situation were seen some twelve months ago, when the financial public began to hear of the recall of American capital from the foreign markets. When the war with Spain became inevitable, sterling exchange fell rapidly, the local money rates eased off, and sixty millions in gold was the amount of the importation from Europe to the United States in a period of two months. The New York "Evening Post" editorially reviewing the financial situation says:

"Not only is New York capital loaned for the purpose of deferring European payments, but capital actually paid by foreigners to American creditors is left, in very large amounts, on deposit in the foreign cities, and is there used by our banking agents for loaning-out to European borrowers. The situation familiar to American finance from the beginning of our history until the close of 1896 is thus exactly reversed. Where our money markets have for a series of generations been accustomed, in seasons of active trade and high discount rates, to look to European capital for relief, Europe is now, and has been for twelve months, depending on American capital to meet the urgent needs of England and the Continent.

"Nor does the series of contrasts stop here. During practically all of our previous history, the average rate for money in New York has ruled above the average rate at London and Berlin; the familiar explanation being that England was an old country, with immense accumulations of capital, whereas the United States is a new country, with its own accumulated capital still inadequate for the development of its home resources. But during nearly all of the last six months, the London money rate has held 1 per cent. or more above that at New York, and the Berlin rate nearly twice as high as ours."

The Causes for Change.

In the search for causes for this change of financial position, foreign trade is mentioned as the prominent factor, and the reasoning of the "Post" in this connection is cogent, even if surprising. It is claimed that the returns for 1898 show that, during the last three years, the shipments abroad from the United States exceeded in value the exports for a similar preceding period by \$800,000,000, the result being a merchandize trade balance in favour of the States greater by nearly a billion dollars for the past than for the preceding three years. The remarks of the journal already quoted from in connection with this growth of exports and consequent decrease of imports (for, in enlarging its export of manufactured goods, it has, of course, followed that foreign manufactures are gradu-

ally being dispensed with by our neighbours) are most interesting. The "Post" says: "It will not be imagined that this enormous mass of trade obligations was settled out of hand in the form of money. Such settlements are very rare in commerce. Part of it has been thus paid; our net gold import for 1898 alone was \$141,000,000. But a very much larger part of the trade indebtedness was discharged by Europe's sales of its holdings of American securities—a natural transaction, certainly, since surrender of the capital with which these investments had been bought and carried placed the foreign community in a position where it could no longer carry all of them. But it should also be observed that this European realization, representing as it did redemption of its foreign debt by the United States, necessarily reduced by wholesale, first the interest charges which were annually paid by us to Europe, and second, the total credit fund available for sale by Europe as a further offset to heavy trade balances. It is now a question of very curious interest and conjecture how much of this fund is left to-day in foreign investors' hands."

It is indeed a remarkably interesting question. But it must not be forgotten that many of the industries in the United States are largely indebted for their very existence to English capital. In fact the "Post" admits that when, after the "Venezuela message" of December, 1895, there arose a possibility of a diplomatic rupture between Great Britain and the United States, the withdrawal of British capital from the markets of the latter country caused sterling exchange to reach panic prices; the rate for demand loans advanced to 50 per cent., and securities crumbled to pieces.

The United States is prospering partly by reason of the good understanding existing with Great Britain, and the permanency of the changed financial position is probably dependent in large measure upon the maintenance of friendly relations between the two great English-speaking nations. But the "Post" can only see three possible events by which the existing favorable conditions may be positively altered—American harvest failure, which would at once curtail their agricultural export trade; a speculative rise in domestic staple prices, such as in other years has quickly arrested exports and abnormally inflated imports; or, finally, such blowing of bubbles in stock-market speculation as should derange the entire movement of capital, and it considers the last mentioned possibility the "most dangerous of the three."

Workmen's Compensation Act.

Whatever satisfaction Mr. Chamberlain may derive from his platform protestations of possessing knowledge superior to that of the actuaries and insurance managers regarding the cost of compensation under the Act framed for the protection of the British workmen, he must surely be troubled with some misgivings as to the successful working of the meas-