

nearly equal. The exact figures are, total excesses of exports, 1845 to 1885, \$1,558,009,000; total excesses of imports, 1845 to 1885, \$1,596,460,000. Starting from this point the United States record is as follows:—

Year.	Exports.	Imports.	Excess of Exports.	Excess of Imports.
	\$	\$	\$	\$
1886....	679,554,830	633,436,136	44,088,694	.....
1887.....	716,183,211	692,319,768	23,863,443	.....
1888.....	695,954,507	723,957,114	.....	28,002,607
1889.....	742,401,375	745,131,652	.....	2,730,277
1890.....	857,828,684	789,310,409	68,518,275	.....
1891.....	884,480,810	844,916,196	39,564,614	.....
1892.....	1,030,278,148	827,402,462	202,875,686	.....
1893.....	847,665,194	866,400,922	.....	18,735,728
1894.....	892,140,572	654,994,622	237,145,950	.....
1895.....	807,538,165	731,969,965	75,568,200	.....
1896.....	882,606,938	779,724,674	102,882,264	.....
1897.....	1,050,993,556	764,730,412	286,263,144	.....
1898.....	1,231,482,330	616,049,654	615,432,676	.....
1899.....	1,227,023,302	697,148,489	529,874,813	.....
1900.....	1,394,186,371	829,714,670	564,471,701	.....
1901.....	1,487,764,900	823,172,100	664,592,800	.....
1902.....	1,382,033,400	902,911,300	479,122,100	.....
Aggregate of excesses of exports, 1885 to 1902.....			\$3,914,263,360	
Aggregate of excesses of imports, 1885 to 1902.....			49,468,612	
Net trade balances in favour of the United States, from 1885 to 1902.....			\$3,864,794,748	
Less net unfavourable balance up to 1885.....			8,451,000	
			\$3,856,343,748	

Those who believe that the balance of a nation's indebtedness to foreign nations is indicated by the trade balances in favour of such outsiders, and that the balance due to a nation by foreign nations is indicated by the excess of such nation's exports over its imports have several difficult problems presented by the above figures. They have to explain in what form or forms that balance of \$3,856,343,748 now exists, which, if their theory is sound, is now due by foreign nations to the United States; also how it so happens that, with such a prodigious amount standing to their credit in Europe the United States every now and again is so short of funds across the Atlantic as to make exchange dear; also, why it has been frequently happening while this enormous credit was being piled up, that gold had to be sent to Europe to meet American obligations?

On the above statistics some of the ablest of American writers have built up an argument that New York was on the eve of becoming the financial centre of the world, as it would soon become if the States went on putting Europe in debt at such a rate as the above returns are believed by some to indicate. One set of theorists explain the disappearance of these vast yearly balances by affirming that they are utilized for paying off old-time accumulations of debt by the States. But the above figures contradict this flatly, for, up to 1885, there was no accumulation of balance of trade debts to a greater extent than \$8,451,000, which was wholly paid off in

the first half of 1886. The paying off of old debts is thus exploded.

To clear off such enormous annual balances, only three methods are available; the settlement must be by cash, or debt. The plea that trade balances are paid off by goods is not rational, for, before the trade balances were struck, all the goods received were allowed for. Now "cash" in this case means gold, for gold alone is the cash sent from Europe to the States. How unlikely it is that there has been gold sent from Europe to pay off over three thousand millions of trade balances due to the States needs hardly stating. The whole of the gold coin and bullion in the States amounts to little more than one-third of the above amount, and if Europe had been sending gold since 1885 to cover adverse trade balances amounting to \$3,119,827,000, the drain would have left the old world with almost empty coffers. The cash payment theory will not stand enquiry.

What amount of debt has accumulated against Europe in favour of the States is not known. But, that the old world has increased its holdings of American securities since 1885, to extent of over three thousand millions, is regarded as impossible by the best financial authorities, some of whom indeed declare that, in recent years, the flow of investment capital has been towards the States. Speaking broadly, this would be the transmission of capital by the debtor, Europe, to its creditor, the United States, in order to buy up that creditor's personal obligations. This is not the usual course, nor is it a course that we can believe to have been followed by European capitalists if an enormous balance stood in Europe in favour of the States?

That American obligations in Europe were heavier this year than could be met by the American credits existing as the result of favourable trade balances has been demonstrated through the summer by the rates of exchange on London, running continuously so high as to be near the figure at which it is cheaper to send gold. It would be an absurdity to suppose that Europe owes the States a prodigious sum for its exports of goods, a sum running into thousands of millions, while at the same time there was money being borrowed by American financiers from foreign banks, as was proved to have been the case by the course of exchange.

One very curious explanation is given as to how these vast balances in favour of the States have been settled by their European debtors. It is affirmed that the balances due to the States for American goods imported into Europe in excess of European exports to the States have been settled by equal amounts of American securities having been purchased by European investors. This is quite as laughable a theory as anything in "Alice in Wonder-