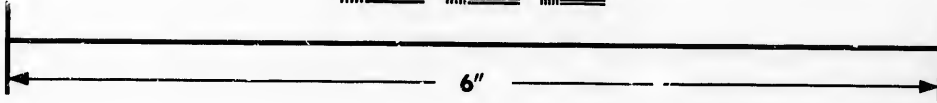
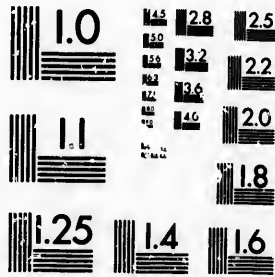


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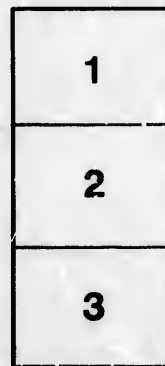
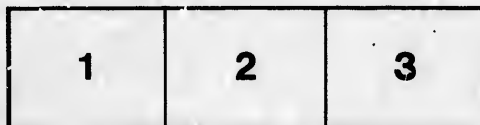
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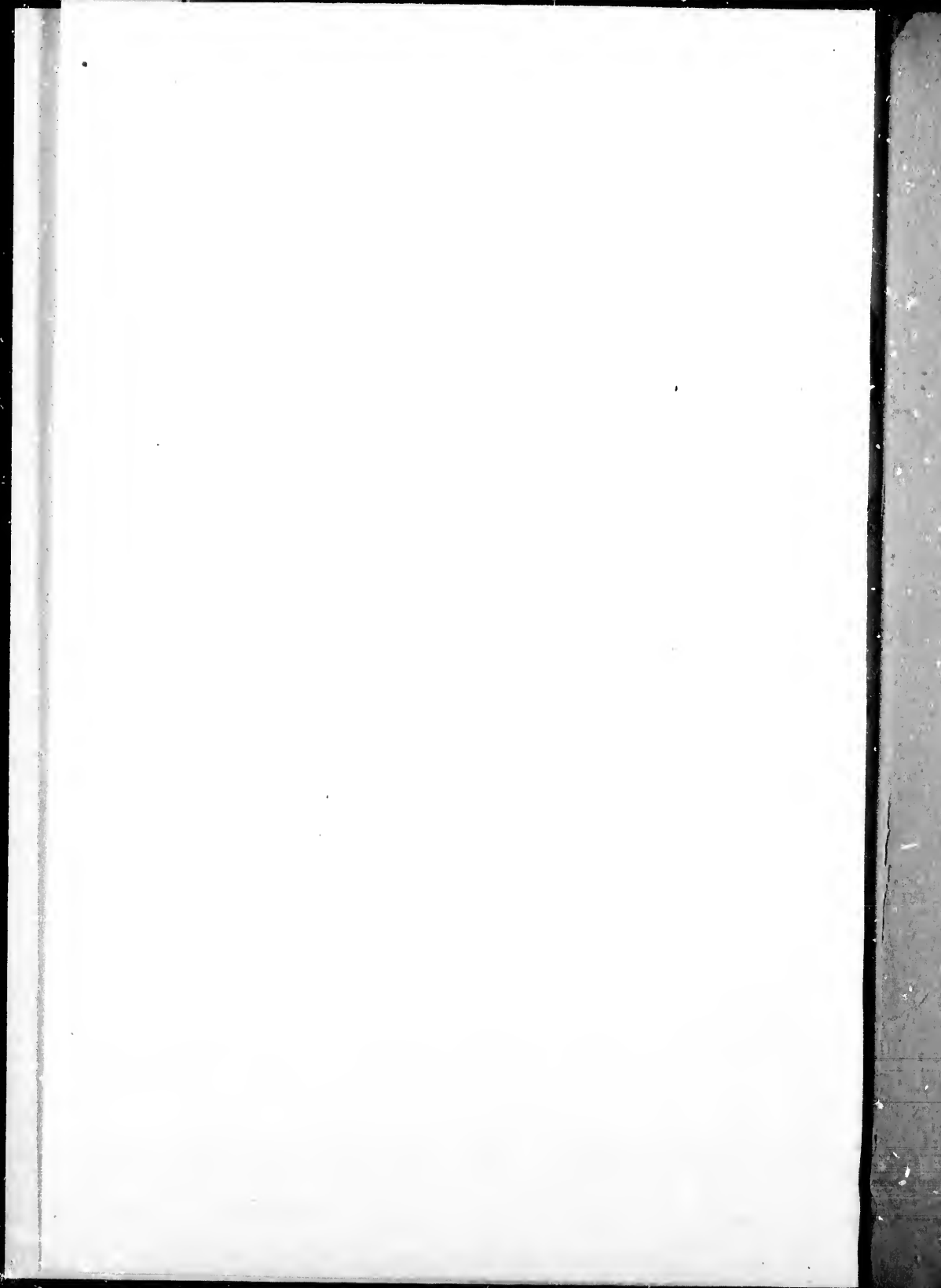
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WHY WE TRADE

AND

HOW WE TRADE

OR

AN INQUIRY INTO THE EXTENT
TO WHICH THE EXISTING COMMERCIAL AND
FISCAL POLICY OF THE UNITED STATES RESTRICTS THE
MATERIAL PROSPERITY AND DEVELOPMENT
OF THE COUNTRY

BY

DAVID A. WELLS

NEW YORK
G. P. PUTNAM'S SONS
182 FIFTH AVENUE
1878



THE SUBSTANCE OF THIS ECONOMIC INQUIRY APPEARED ORIGINALLY IN THE NORTH AMERICAN REVIEW FOR SEPTEMBER, 1877, AS ONE OF A SERIES OF ARTICLES ENTITLED, "*How shall the Nation regain Prosperity?*" IT IS NOW REPRODUCED WITH SUCH ALTERATIONS, ADDITIONAL MATTER, AND REFUTATIONS OF CERTAIN PROTECTIONIST CRITICISMS WHICH ITS ORIGINAL PUBLICATION OCCASIONED, AS RENDER IT A MONOGRAPH COMPLETE IN ITSELF, ON THE INFLUENCE OF THE EXISTING LAWS WHICH RESTRICT THE TRADE AND COMMERCE OF THE UNITED STATES WITH FOREIGN NATIONS, AND ON THE PROSPERITY AND INDUSTRIAL DEVELOPMENT OF THE COUNTRY.



WHY WE TRADE AND HOW WE TRADE.

RELATION OF POPULATION TO PRODUCTION IN THE UNITED STATES.

THE returns of the last national census show, that while the population of the United States increased during the period from 1860 to 1870 in the ratio of 22.2 per cent., the increase—measured in kind—in the product of our so-called manufacturing industries, during the same period, was 52 per cent., or a ratio that was more than double the ratio of the gain in population.

Or, to put the case differently: in 1850 the value of the annual product of our manufacturing industries was returned as averaging \$44 *per capita* of our entire population. In 1860 it was, probably, about \$65 *per capita*. But in 1870, by reason of our great natural resources, and the extraordinary application of brains and machinery which had been made for their development and utilization, the value of this annual average had increased *nominally* to \$128 *per capita*. We say nomi-

nally, for a considerable part of this large increase simply represented an increase of prices due to currency inflation and other general causes; but, making all proper allowance for such disturbing elements, the value of our manufactured product for 1870 undoubtedly averaged from \$90 to \$100 *per capita*.

That this same tendency for manufacturing production to increase in a far greater ratio than population (or, what is the same thing, domestic capacity for consumption) also continued after 1870 is further indicated by the circumstance, that while the number of cotton-spindles in the United States increased from 7,114,000 in 1870, to 9,415,383 in 1874, or in the ratio of nearly 33 per cent., the increase of our population during the same period could not well be estimated as having been in excess of 11 per cent.

NATIONAL NECESSITY FOR LARGER MARKETS.

It is evident, therefore, that the capacity of the country for production has far outrun its power of domestic consumption; and also, that what the country now most needs, and what it must have if it would have prosperity, are larger markets—markets outside of itself—for the sale of the surplus products of its labor and capital. Such markets the country does not at present possess.

While our population has increased from 31,183,000 in 1860, to at least 45,500,000 in 1876, or, for the sixteen

years inclusive, at the rate of about 46 per cent.; and while our producing capacity, as above shown, has increased during this same period in a much greater ratio, our entire exports of manufactured products—comparing 1876 with 1860—have not only *relatively* decreased, but, in respect to a very large class of staple articles, were actually and absolutely less in 1876 than they were in 1860.* And as a necessary and inevitable consequence of this inability to dispose of our surplus products,

* The following table shows the exports of certain leading manufactured articles from the United States in 1860 and in 1876:

	1860.	1876.
Oil, sperm.....	\$1,789,089	\$1,366,246
Household furniture.....	1,079,114	1,574,935
Carriages, cars, and parts of.....	816,973	1,147,963
Candles.....	708,699	229,311
Soap.....	494,405	684,739
Tobacco, manufactured.....	3,372,074	2,833,155
Gunpowder.....	467,772	67,877
Boots and shoes.....	782,525	368,633
Cables and cordage.....	246,572	271,090
Nails.....	188,754	381,236
Iron castings.....	282,848	269,322
Manufactures of iron.....	5,174,040	7,598,743
Cotton piece goods.....	10,934,796	7,722,978
Drugs and medicines.....	1,115,455	2,471,195
Wearing apparel.....	525,175	579,595
Glass.....	277,948	628,121
Hats.....	211,602	247,553
Paints and varnish.....	223,809	234,728
Paper and stationery.....	285,798	795,176
Printing presses and type.....	157,124	119,749
Total.....	\$29,134,572	\$29,592,345.

Reducing the currency figures for 1876 to a gold basis, in order to com-

production has been arrested; mills, mines, and furnaces stand still, or are but partially operated; labor vainly seeks opportunity for employment and capital for remunerative investment; values shrink; confidence is impaired; pauperism increases; and, by reason of increased necessities and temptations, crimes multiply.

WANTS AND THEIR SATISFACTIONS.

This limitation of markets for the products of American labor and capital is due to a variety of agencies, operating with varied degrees of influence. These agencies are all artificial, and so capable of removal. There is not one that is natural; but they owe their origin, mainly or exclusively, to the fiscal policy of the Government of the United States, under which the industry, trade, and commerce of the country for the past sixteen years has been unnaturally controlled and influenced.

In the present essay, it is proposed to discuss the

pare evenly with the gold valuations of 1860, the aggregate value of the exports for 1876 should be stated at \$26,750,000; showing a decrease in the aggregate value of the exports of the above enumerated articles in 1876, as compared with 1860, of \$2,830,000, or to the extent of 8 per cent.

Again, bringing all the products that can be legitimately classed as manufactures into one group, the ratio which the value of our manufactured exports sustained to the value of our total exports from 1851 to 1860, the ten years immediately preceding the war, was 13.8 per cent.; while from 1866 to 1876, the ten years immediately succeeding the war, the corresponding ratio was only 10.3 per cent.

nature and operation of a single *one* of these agencies, which as an instrumentality of evil is undoubtedly entitled to rank among the first in the order of importance; and, as pertinent to this proposition, it is desirable to attempt to obtain in the outset a clear idea of how *wants*, in general (of things essential to a good livelihood), arise, and how, in general, they are satisfied.

Wants have their origin in human nature, and are practically illimitable. No one ever has all he wants, though pretension may be made to that effect. In general, every one satisfies his wants by his own labor; but no man who is not a savage or a Robinson Crusoe ever attempts to obtain all he wants by his own labor *directly*, or from the products of one locality; and nature evidently never intended that it should be otherwise. For there is no nation, or country, or community, nor probably any one man, that is not, by reason of differences in soil, climate, physical or mental capacities, at advantage or disadvantage as respects some other nation, country, community, or men, in producing or doing something useful. It is only a brute, furthermore, as economists have long recognized, that can find a full satisfaction for its desires in its immediate surroundings; while poor indeed must be the man of civilization that does not lay every quarter of the globe under contribution every morning for his breakfast. Hence—springing out of this diversity in the powers of production, and of wants in respect to locations and individ-

uals—the origin of trade. Hence its necessity and advantage; and the man who has not sufficient education to read the letters of any printed book perceives by instinct, more clearly, as a general rule, than the man of civilization, that if he can trade freely, he can better his condition and increase the sum of his happiness; for the first thing the savage, when brought in contact with civilized man, wants to do, is to exchange; and the first effort of every new settlement in any new country, after providing temporary food and shelter, is to open a road or other means of communication to some other settlement, in order that they may trade or exchange the commodities which they can produce to advantage, for the products which some others can produce to greater advantage.* And, obeying this same natural instinct, the heart of every man, that has not been filled with prejudice of race or country, or perverted by talk

* There has been much of speculation, in which Henry C. Carey has taken the lead, as to what determines the location of settlements in new countries, and whether a community, if left to itself, will occupy primarily the poor or the rich soils. But the theory or consideration, above all others, that is determinative of this question, is the natural methods or channels available in the first instance for intercommunication with other settlements or centers of population. And hence such new settlements always follow in the first instance the sea-coast or the shores of navigable lakes or rivers, and rarely penetrate otherwise into the interior. The cheap, easily cultivated, fertile lands of the States north of the Ohio and east of the Mississippi, would, without the ready means of intercommunication afforded in the first instance by the Erie Canal and then by the railroads, have remained to the present hour almost as much a wilderness as they were at the commencement of the present century.

about the necessity of tariffs and custom-houses, experiences a pleasurable emotion when it learns that a new road has been opened, a new railroad constructed, or that the time of crossing the seas has been greatly shortened; and if to-day it could be announced that the problem of aerial navigation had been solved, and that hereafter everybody could go everywhere, with all their goods and chattels, for one-tenth of the cost and in one-tenth of the time that is now required, one universal shout of jubilation would arise spontaneously from the whole civilized world. And why? Simply because everybody would feel that there would be forthwith a multitude of new wants, an equal multitude of new satisfactions, an increase of business in putting wants and satisfactions into the relations of equations in which one side would balance the other, and an increase of comfort and happiness everywhere. "The advantage derived from the division of labor is well known. But what is effected by the operation of this principle for a single undertaking is, by the aid of commerce, effected for the whole world. Commerce enables the population of each separate district to make the most of its peculiar advantages, whether derived from nature or acquired by the application of industry, talent, or capital; to make the most of them for its own consumption; leaving, at the same time, the greatest possible remainder to be given in exchange for any other commodities produced more easily, more abundantly, or of better quality

in other districts of the world. It is thus that a country is enriched by commerce.—*Huskinson*, 1819.

At the same time this truth, which is in the nature of an economic axiom, ought to be clearly kept in mind, namely, that there is no wealth to be made through trade or exchange of products, beyond the simple economy that results from the producer supplying the consumer cheaper than the consumer can supply himself directly by his own efforts. So much, then, for *why we trade*. A brief word, next, for

HOW WE TRADE.

Many, perhaps most, people who have not thought much on the subject—certainly many legislators, to judge from their talk—regard money as essential for trade. They are in the habit of thinking that when we buy anything, it is necessary to give money, and when we sell, to receive money. Money is not, however, absolutely essential to trade, business, or production. It facilitates trade; it is a most useful and desirable adjunct of trade, and discharges the same function in trade as a ship, a locomotive, a horse and cart, or a wheelbarrow, though in a larger and higher degree than any of these, or all other similar instrumentalities. Trade, again, existed before money, and would continue though all money were swept out of existence. The whole tendency of modern civilization is to diminish the amount of money used for effecting exchanges.

The whole clearing-house system is merely setting off the results of the sale of one class of commodities against the sale of another class, without employing money as an intermediate instrumentality. No nation or community ever has sufficient money to pay for its outside or foreign purchases, or, if it knew its own interest, would use it if it had. The amount of money employed in international exchanges, furthermore, is the merest fraction of the value of such exchanges.

These statements are all truisms; the A B C's of economic knowledge; yet they are not understood by the mass of the people, or by those whom the people select to represent them in legislative assemblies; and because they are not understood is one great reason why this nation is now in trouble. It is important, therefore, to endeavor to make more clear these truisms by illustration; such, for example, as is afforded by the analysis of what takes place in the purchase and sale of a pair of shoes.

Ask most people what is involved in such a familiar transaction, and they will tell you, "Why, of course we understand. What a frivolous question! We went to the shop; picked out and took what suited us; gave the shoemaker five dollars, more or less, and departed. That's all there was about it." But hold! there was a good deal more than that involved in the transaction; so much more, that he who fully understands it has mastered the fundamental principles of finance, com-

merce, and political economy, though he may never in his life have read a book or attended a lecture on the subject. What the shoemaker gave was the result of his labor applied to a piece of leather; as the leather was the result of some other man's labor applied to a piece of hide; as the hide was the result of a third man's labor given to the raising of cattle. On the other hand, what was given for the shoes in the first instance was a sum of money; but, unless the money was a gift to the purchaser, or he stole it, it was obtained in exchange, and represented some labor or service performed or to be performed in turn by the purchaser. We may therefore eliminate the use of the money from the transaction altogether, as it was simply used as a convenience, as oil is applied to the axles and bearings of an engine, to make the movements work easy and with the minimum of friction. And, eliminating the money, the transaction resolves itself into an exchange of the labor or services of the shoemaker for the labor or services of the man who desires to have and wear shoes. And, as every other transaction throughout the world, by which men satisfy their wants and desires by producing and exchanging, or buying or selling, when analyzed, resolves itself into identically the same elements, we are led up to the recognition and acceptance of this broad, general principle, namely, that all trade is at the bottom a matter of barter; product being given for product and service for service; that in order to sell we must buy,

and in order to buy we must sell ; and that he who won't buy can't sell, and he who won't sell can't buy. The fact that exchanges take place indirectly does not furthermore alter the principle as above stated.*

TROUBLE NUMBER ONE.

Now, to come back to the more immediately practical questions under consideration, Why is there no demand for the multitude of useful things that the United States have the facilities for producing better and cheaper (as can be demonstrated beyond all question) than other countries? Why is there no opportu-

* The citation of authorities in support of so plain a matter is obviously not necessary, but the following may interest: "Labor," says Henry Carey, " (or what is the same thing, its embodiment in the form of product), is the first price given for everything we value, and it is the commodity that all have to offer in exchange. The ship, the road, the mill, and money are all portions of the machinery of exchange, not the things exchanged." "Others mourn over the cost of maintaining the currency, while expatiating on the advantages of canals and railroads, not perceiving that the operation of the two are identical."—*Carey on Money*.

"Gold and silver," says Ricardo, "having been chosen for the general medium of circulation, they are, by the competition of commerce, distributed in such proportions amongst the different countries of the world as to accommodate themselves to the natural traffic which would take place if no such metals existed, and the trade between countries were purely a trade of *barter*. . . . It is thus that the money of each country is apportioned to it in such quantities only as may be necessary to regulate a profitable trade of *barter*. . . . Bounties on exportation or importation, new taxes on commodities, sometimes by their direct, and at other times by their indirect operation, *disturb the natural trade of barter*, and produce a consequent necessity of importing or exporting money, in order that prices may be accommodated to the natural course of commerce."—*Ricardo, Principles of Political Economy, McCulloch's edition, pp. 77-81.*

nity for the multitude of our laborers, who ask for nothing else than that they may have the opportunity to support themselves by producing, and are now denied that opportunity? One answer is, that the United States, for now a long series of years, has, in its fiscal policy, denied or ignored the truth of the above economic, axiomatic principles. It has not, indeed, in so many distinct words said to the American producers and laborers, You shall not sell your products and your labor to the people of other countries; but it has emphatically said to the producers and laborers of other countries, We do not think it desirable that you should sell your products or your labor in this country; and, as far as we can interpose legal obstructions, we don't intend that you shall! But in shutting others out, we have at the same time, and necessarily, shut ourselves in. And herein is *trouble No. 1*. The house is too small, measured by the power of producing, for those that live in it. And *remedy No. 1* is to be found in withdrawing the bolts, taking off the locks, opening the doors, and getting out and clear of all restrictions on producing and the disposal of products.

In fact, the country is very much in the condition of a merchant who has a store advantageously situated, and its shelves filled to repletion with a great variety of desirable goods. The roads that lead up to the store are in admirable condition, with good sidewalks and signboards and lamps to make sure that no one goes

astray. But, when customers come to the store, they find that the proprietor has taken down the steps, walled up the door, and made it so troublesome to get in that they prefer to journey by longer and worse roads to purchase elsewhere. Even if it is only desired to get into the store, *not* for the sake of trading, but for conversing with the proprietor on the subject, and showing samples of what the outside would like to give for what the inside would like to sell, the outsider (as in the case of the foreign contributors to the Philadelphia Exhibition of 1876) finds to his cost that even this is a very troublesome and vexatious matter.*

* The irritation of the Commissioners of every nation to the International Exhibition at Philadelphia in 1876 at the annoyances to which they were subjected by the United States Custom House regulations was very great, and openly manifested; and it was universally agreed that nothing similar had occurred in the case of any former international exhibition. On this subject Mr. Goshorn, General Superintendent, thus expressed himself at the close of the Exhibition: "The administration of the customs laws gave them [the foreign exhibitors] a good deal of annoyance which I could not obviate. The customs officials never comprehended the Exhibition. Instead of regarding it as exceptional and peculiar, they treated it like a retail shop, and tied it up with all the red tape they could apply. Besides, there was a want of harmony between different branches of the customs service, which added to the troubles of exhibitors." The catalogues of the articles contributed by one country (the Netherlands) were abandoned in the New York Custom House, "simply because the Commissioners found by experience that the time required and the trouble involved in having them passed would be so great that it was not worth their while to attempt it." Applicants for information were accordingly in great numbers denied, although pages printed for the express purpose of giving the information "were actually on our soil and in charge of the officers of the government on whose invitation that exhibit was sent." Great sense of wrong was also experienced at the

HOW THE UNITED STATES TRADES WITH BRITISH
NORTH AMERICA.

One of the most striking illustrations to be found in all history—one that is going to stand and be quoted for all time in treatises on political economy—of the evil effect of commercial restrictions in limiting trade and industry, and consequently national development, is to be found in the history of the commercial relations between the United States and the British North American provinces. Thus, in 1852-53, in the absence of anything like commercial freedom, the aggregate exchanges between the two countries amounted to only \$20,691,000. The subsequent year a treaty of reciprocity went into effect, whereby the people of the two countries were enabled to trade and exchange their products with little or no obstruction in the form of import duties. The result was that the aggregate of exchanges rose the very first year of the operation of

close of the Exhibition by the refusal of the Treasury Department to make allowance, in payment of duties, for damage of goods sustained through exposure or lapse of time at the Exhibition, so that if an article, originally costing \$20,000, had become so damaged during the exhibition that it would not sell for \$1,000, it must needs have paid duties on \$20,000, or be sent out of the country. A certain firm of foreign exhibitors, it was reported, made two immense vases to show what they could do. They had to build new kilns large enough to burn them in, and they cost \$17,000 before they were finished. Nobody would buy them, even for \$1,000, and yet these vases were chargeable with a duty of about \$6,500 if they allowed them to remain in the country.

the treaty from \$20,691,000 to \$33,494,000, which subsequently increased, year by year, until it reached the figure of \$55,000,000 in 1862-63, and \$84,000,000 in 1865-66.* In this latter year the treaty of reciprocity was repealed, and restrictive duties again became operative. The result was that the annual aggregate of exchanges immediately fell to \$58,000,000; and in 1875, nine full years after the expiration of the treaty, when both nations had largely increased in wealth and population, the decrease of trade consequent on the abrogation of the treaty had been but little more than made good; the probable aggregate for 1875 having been about \$86,600,000.

Again, the quantity of freight—meaning thereby commodities — transported on the railroads of the United States, is at present at the rate of about two hundred millions of tons per annum (for the year 1876, a period of great industrial and commercial depression, 197,082,000 tons). If we assume each ton so moved to be worth on an average but \$50 † (a low estimate), then

* It is not to be concealed that during the last year of the reciprocity treaty, or after a serious movement had been made for its abrogation, importations from the Provinces increased in anticipation of a consequent renewal of the United States tariff. This fact does not, however, affect the general result stated; the exchanges for 1863-64 being more than three times greater than those of 1852-53, the year before the ratification of the treaty.

† The average value of all the tonnage moved on the Erie Canal, as returned by the State Auditor for the year 1876—which tonnage, it is well known, is made up mainly of bulky, weighty articles of comparatively

the value of the exchanges at present annually effected in the United States, through the agency of railroads alone, excluding all other instrumentalities of trade—boats, ships, wagons, animals, and the like—from consideration; is, in round numbers, ten thousand millions of dollars; or, to state it differently, if the present population of the United States is 44,000,000, then every 4,400,000 of its people now exchange annually commodities among themselves, through the agency of railroads alone, to the value of *a thousand millions of dollars*. It is true that much of this freight is transported backward and forward under different conditions and forms over the same routes, and does not at all represent a direct movement between the producers and consumers; but it is safe to assume that not one ton is transported a single mile except for the real or supposed advantage of somebody, representing producer, exchanger, or consumer; and that producer, exchanger, and consumer jointly and severally know what they are about, and wherein is their interest, better than any law-makers can tell them.

On the North American continent, north of the United States, there are at present about four millions

small value—was \$29.50 per ton. Of this tonnage, the average value of products of the forest was returned at \$9.47 per ton; products of animals at \$284 per ton; vegetable food, \$30 per ton; and general merchandise at \$478 per ton. Of course these values are merely approximative, yet they are the only data accessible in this country that are in any degree founded on investigation.

of people (3,726,319 in 1871) inhabiting the British Provinces. The line which separates these Provinces from the United States is purely artificial and not natural; and except where a lake or river has been accepted and named as the boundary, no one can readily tell where one country begins or the other ends. It stands, therefore, to reason, that were it not for artificial barriers, arbitrarily set up by legislation, men and commodities would pass as freely between the two countries as they now do between different sections of the Provinces, or between the different States of the American Union, and that the methods and amount of trade over the whole territory under the two governments would be uniformly subject to the same influences. But the United States, with a view of promoting national industry and effecting national development, has been mainly instrumental in establishing all manner of arbitrary and burdensome restrictions on trade and commercial intercourse along this artificial or imaginary line separating the two countries. And now will the people of the United States, divesting themselves of prejudice, stop for a brief moment and consider the result? It is very interesting, very instructive, finds few parallels in modern commercial experience, and may all be summed up in the following brief statement: The aggregate value of all the exchanges between the 4,000,000 of people in the Dominion of Canada, and the 44,000,000 of people in the United States, for the year

1875 (the latest year for which we have returns), through every variety of instrumentality, was only \$86,000,000; while, as before shown, every 4,400,000 of people on the United States side of the line, under the condition of perfect internal free trade, effected exchanges between themselves, through the agency of railroads alone, to the extent of \$1,000,000,000. Suppose, now, these barriers to trade between the United States and Canada had been taken down. How many wheels, spindles, hammers, cars, boats, engines, and strong human arms would in consequence have been put in motion, and how much of the present industrial and commercial depression in the United States would have been obviated?

Does the United States now desire to augment its present aggregate trade to the extent of many hundreds of millions per annum? The way stands open, and it only remains for the people of the United States who are suffering for lack of employment, and who complain that there is no demand for the products of their industry, to signify that it is their wish, and it will be done. The people of the British Provinces are only too ready to enter into reciprocal and general commercial arrangements with the people of the United States which will result in such augmentation of trade; and there is no ear more quick to listen and respond to the demands of the people than the representatives of the people in Congress assembled. Selfish private interests, on both

sides of the line, will promptly respond, as they have heretofore,* that it is not desirable that any such commercial arrangement as is proposed should be entered into. But let the people as a whole consider the facts in the case as a whole, and they cannot be long in deciding wherein to them is the path of profit and expediency.

Is it desired to annex the British North American Provinces and make them a part of the American Union? We have as a nation for long years past, in our dealings with Canada, been playing the part of the wind, in the contest between the wind and the sun in the fable, to see which could make the traveler soonest take off his coat. Suppose as a nation we now for a while put aside the rôle of the wind and assume the part of the sun. With the balance of advantage in any amicable contest between the two countries for in-

* At a convention of persons interested in the manufacture of pig iron, held in Philadelphia, December, 1874, the following resolutions were unanimously adopted:—

“*Resolved*, That this convention, representing the Pig Iron Manufacturers of this country, earnestly protest against the ratification of the proposed reciprocity treaty with Canada, believing that such treaty, if ratified, would result in completely breaking down the barriers which now exist against the introduction to our markets of the products of low-priced European labor, in disastrously impairing the revenues of the Government, in preventing the payment of the interest on our national debt, and in continuing indefinitely the general distress which now prevails.”

It is possible to quote from the proceedings of some Canadian conventions resolutions that are so similar in prophesying bad results to Canada, from reciprocity, that the one would seem to have been borrowed from the other.

dustrial and commercial betterment so transcendently on the side of the richer, most populous, and most powerful nation,* it must be a very low order of statesmanship on the part of the United States which could not devise and carry out a policy that in less than a decade of years would make the British Provinces applicants of their own accord for incorporation as States in the American Union, or would enable the United States, if it was deemed expedient, to force them to become such, by the threat, not of armed compulsion, but of simply clouding the sun.†

* The extent to which Canada is necessarily dependent on the United States for prosperity is well illustrated by the following extract from the "Budget Speech" of the Minister of Finance, Hon. Richard J. Cartwright, before the Canadian House of Commons, February, 1875: "Our distress (industrial and commercial) has been considerably aggravated by external causes over which we had no sort of control. The House knows that the people of the United States have been laboring for two or three years under most unusual depression. The House knows, also, that it is quite impossible for a small community like ours, placed as it is in the immediate vicinity of a great nation of forty-four millions of people, bordering on us for two or three thousand miles,—the House knows, I say, that it is quite impossible that any long-continued permanent depression can exist in the United States without reacting very powerfully upon us. We know that when the prices of American staples are high, ours will be high also. When labor is dear in the United States, it will be dear in Canada; when cheap, it will tend powerfully to make it cheap in Canada also.

† The mass of the people of the United States, occupied with their private cares and business, and giving but comparatively little attention to the details of our foreign relations, probably do not know, what it is full time they should know, that the policy of the United States toward the British Provinces has for a series of years been anything but generous and worthy of a great people. Thus, by the treaty of 1871 between the United States and Great Britain, it was agreed that "fish of all kinds, the

Thus, to illustrate, let us imagine what might be. North of Lakes Erie and Ontario and the river St. Lawrence, east of Lake Huron, south of the forty-fifth parallel, and included mainly within the present Dominion

produce of the fisheries of the Dominion of Canada, shall be admitted into the United States free of duty, fish caught in inland waters and fish packed in oil excepted." But in 1875 Congress, under the influence exerted in behalf of the canned salmon interest, imposed a duty of a cent and a half on each quart of contents of "cans or packages made of tin or other material containing fish of any kind admitted free of duty under any existing law or treaty," the effect of which was to nullify, by a small and mean device, an essential part of the stipulated provisions of the treaty; and all remonstrances on the part of the Dominion Government against such enactment has thus far availed nothing. Had a similar act, adverse to the interest of the United States, been perpetrated by any foreign State, words could hardly be found to express the extent of American indignation for so intentional a violation of solemn public engagements, and the Government at Washington would have been quick to demand reparation.

Again, under the provisions of the *existing treaty*, all *sea-fish*, the product of the Dominion fisheries, fresh, dry, or preserved in any way, except in oil, are admitted into the United States free of duty. Under the *existing tariff* all *fresh fish*, intended for immediate consumption, wherever caught, are *also* admitted to free entry. But within the present year (1877) the Treasury Department has ruled that if fresh fish imported from Canada into the United States are packed in ice (simply in order that they may be transported to greater distances and supply the immediate demands of more inland markets), the fish in such cases do not then answer to the conditions for *immediate* consumption, and are, therefore, subject to varying rates of duty, according to their species.

Article XXVII. of the same treaty provided that the British Government would urge upon the Government of Canada to secure to the citizens of the United States the use of the canals "in the Dominion on terms of equality with the inhabitants of the Dominion," and the United States in turn engaged to urge upon the State Governments to secure to the subjects of Great Britain "the use of the several State canals connected with the navigation of the lakes and rivers traversed by or contiguous to the boundary line between the possessions of the contracting parties on terms of

Province of Ontario, there is as fair a country as exists on the North American continent; nearly as large in area as New York, Pennsylvania, and Ohio combined, and equal, if not superior, as a whole, to these States

equality with the inhabitants of the United States." At the same time the free navigation of the St. Lawrence River was guaranteed by Great Britain to the United States. Immediately after the ratification of the treaty the British and Colonial Governments made haste to carry out the stipulations on their part in these respects. The St. Lawrence was made free, and the privileges of the Canadian canals were granted to American vessels on the payment of tolls that barely covered the cost of wages and repairs. But up to the present time the Government of the United States have not only failed to do anything to facilitate the transit of Canadian commerce through the States, but they have omitted no opportunity to harass and obstruct it. Thus, the Federal Government (last administration) has so construed the Washington treaty of 1871 as to withhold from Dominion vessels with cargo the privilege to load in Canadian ports for New York and other ports on the Hudson River; in consequence of which any merchandise transported in a Canadian bottom can only be taken as far as Albany, and be there entered at customs and transhipped into a United States vessel for transportation to its destination. Technically, the privilege to use the canals does not necessarily imply the use of rivers connecting therewith; but in the case in question, the New York canals, which the Canadians desire to use, constitute, in connection with the Hudson River, a great marine highway between Canadian ports on the St. Lawrence and the Great Lakes and the United States ports on the Hudson River and seaboard, and the cutting off of any one link or section renders the remainder nearly, if not quite, practically useless. In a precisely similar case, namely, that of the Ottawa River and the Grenville Canal, the Dominion Government have acceded to vessels of the United States every privilege enjoyed by Canadian vessels, and apparently have never thought that any other interpretation of the treaty could be honestly contemplated.

It was also provided in the same treaty that the value of the privilege then conceded to the inhabitants of the United States by Great Britain, to take fish on the coasts of the British North American Colonies without being restricted, as formerly, to a certain distance from the shore, should

in its agricultural capacity. It is the natural habitat on this continent of the combing-wool sheep, without a ull, cheap, and reliable supply of the wool of which species the great worsted manufacturing interest of the country cannot prosper, or, we should rather say, exist. It is the land where grows the finest barley, which the brewing interest of the United States must have if it ever expects to rival Great Britain in its present annual export of over eleven millions of dollars' worth of malt products. It raises and grazes the finest of cattle, with qualities especially desirable to make good the deterioration of stock in other sections; and its climatic conditions, created by an almost encirclement of the Great Lakes, especially fit it to grow men.*

Such a country is one of the greatest gifts of Providence to the human race; better than bonanzas of silver, or rivers whose sands contain gold. Is it desir-

be determined by commissioners to be appointed by the respective parties. Six years have now elapsed since the ratification of the treaty, and although the subject has been repeatedly pressed upon the attention of the Federal authorities, it is only within the present year (1877) that the United States has been willing to comply with its agreement and appoint a commissioner to take part in the stipulated determination.

* "Ontario possesses a fertility with which no part of New England can at all compare; and that particular section of it around which the circle of the Great Lakes is swept forces itself upon the notice of any student of the American map as one of the most favored spots of the whole continent, where population ought to breed with almost Belgian fecundity."—*Report on the Trade between the United States and the British Possessions in North America*, by J. R. LARNED, *Treasury Department*, Washington, 1871.

able for the United States to own it, and incorporate it as an integral part of the Union? It can be done. We have only to march an army across the border, intrench and take possession,—but not an army equipped with implements of war, to deprive rightful owners of lawful possession, and to be welcomed in turn by the Canadians with “bloody hands to hospitable graves;” but an army with plows and reapers and all manner of other improved tools for all manner of useful production, with American capital and American ideas, to be welcomed by the Canadians to peaceful homes and conditions of abundance. At present this land, so favored by nature, is in a great measure unoccupied and sparsely populated, because there is little market for the products of its industry, and the United States by its policy has practically said there shall be none. Thus emigration and settlement from without (Europe as well as the United States) has been discouraged. With an area, as before stated, nearly equal to that of the three great States of New York, Pennsylvania, and Ohio, which now have a population of about *twelve* millions, the present population of Ontario is less than *two* millions. During the period of the operation of the reciprocity treaty before the war, the ratio of its increase of population was at the rate of 4.38 per cent. per annum, or in a ratio greater than that of the United States at any period of its history; but after the outbreak of our war and the repeal of reciprocity (or from 1861 to 1871),

this annual ratio of increase ran down to 1.61, or to a ratio less than that of the United States at any period of its history. Let all barriers to free commercial intercourse and the exchange of products be now removed, and who can doubt that in the course of one or two decades (and what are ten or twenty years in the life of a nation?) there will be gathered in what is now Ontario the material for several great and prosperous States; States whose population originating mainly in the United States and connected with them by ties of blood, kindred, and similarity of thought—which free intercourse will annually strengthen and not weaken—will be American rather than Provincial; States whose people, under the representative government now enjoyed in Canada, will largely determine the policy of the whole Dominion, and which will gravitate to incorporation with the American Union as naturally as rivers seek to incorporate themselves with the sea.

But supposing the policy indicated to have been entered upon by the United States, and, the anticipated results of development having been speedily attained, the new States across the border, or indeed the entire Dominion, should not then desire to become politically united with us? The answer to this would be, first, that if statecraft had done its whole duty in making the interests of the two countries common, such an opposition probably would not exist. But if it should, it seems hardly necessary to enter into an argument to

prove that the United States could then so modify its commercial policy as respects Canada as to peacefully and powerfully influence such a union, if it was desired; and that then, and not now, would be the time to enact restrictive laws—if such mean, selfish laws are ever desirable—touching the intercourse and trade between the two countries, with the expectation of thereby promoting annexation of the Provinces.

But why should we ever desire to force the Canadas, or the possessors of any other now foreign territory to become part and parcel of the American Union against their will? With the single exception of the satisfaction of a brutal, heathenish sort of feeling which rejoices in the extension of dominion and the enlargement of territory as evidences of the possession of physical power, there is not one single advantage which could come to the United States from Canada annexed, which might not in an equal degree be made to accrue, under a rational system of economic laws, from Canada independent. Can any one point out how, with free commerce, a peace policy, and a free popular representative government, the building up of one, two, or three great States on the north side of the Lakes under one flag would be less advantageous than the building up of a similar number of States on the south side of the Lakes under another and different flag? In the absence of all restrictions on commercial intercourse, the people of New York, Pennsylvania, and Ohio trade among them-

selves—and the rest of the Union when it suits their interest; and when it does not suit, they desist. Under similar conditions of freedom the Canadian States, present and future, obeying a common law of self-interest, would act in the same manner. Whatever products of labor the one at any time desired to sell to the other could only be sold by receiving in exchange an equivalent amount of labor of the other, and if the exchange was not *mutually* advantageous and profitable, it would not be continued.* Under a Zollverein system, such as has been proposed, and is without doubt practical, the national taxation of the two countries could practically be made the same; while in respect to all other taxation, each State or locality would adopt, as now, that system which seemed to it most expedient, and would come in time to learn that all taxation by diffusion of all kinds ultimately falls on consumption.

* As an additional illustration of a circumstance, often before noticed, of the difficulty with which a mind which has once accepted narrow, selfish views in respect to trade, commerce, and international relations, can thereafter reason about any of these subjects except from a similar standpoint, it may be here mentioned, that when the substance of this essay first appeared in the *North American Review* (September, 1877), the Editor of one of the public journals of Nova Scotia (*Halifax Herald*) took the writer to task for teaching a code of doubtful international morality; of endeavoring to delude Canada into reciprocity, with a view to subsequently "destroy all the channels of our [her] trade, and fill and occupy all our [her] foreign markets." Such persons have no difficulty in perceiving that a trade between different districts of the same State is but an exchange of equivalents and is always beneficial, and not a trade by which one gains and the other loses; or by which in Canada, Nova Scotia is enriched at the expense of New Brunswick. But when it comes

But, reasoning from general principles, how much longer, it may be asked, are we to read from the pages of the Book we profess as a nation to believe, that God has made of one blood all the nations of the earth, and then turn away and act as though there was not a word of truth in the avowment? How much longer shall we turn the pages of European experience during the seventeenth, eighteenth, and a good part of the nineteenth century, before we learn that the planting of colonies and the acquisition of territory for the purpose of compelling trade and profiting by advantages not accorded to other nations, has been a business far more productive of evil than of good? And when as a nation shall we comprehend enough of the elements of political economy to understand, what it would seem ought to come through intuition, "that if commerce is allowed to be free, its advantages will be shared by every country that engages in it; that in the absence of monopoly the benefits of trade are of necessity reciprocal; and that in a mercantile point of view it would be as absurd to attempt to impoverish a people with whom we trade" (as we have attempted to impoverish Canada); "as it would be for a tradesman to work for the insolvency of a rich and frequent customer" (Buckle).*

to a question of foreign trade, then the conditions to such a mind appear altogether different; and one who seeks to enlarge international trade and commerce, and break down the barriers of race and country, becomes regarded almost in the light of an enemy.

* "The great producing regions of the Dominion, which we formerly

Left to itself, the average human mind must, it would seem, receive and act upon these truths as if by intuition; and that it does so tend to act finds a curious illustration in an extract from the last annual message of General Grant as President of the United States.

General Grant, it is well known, in the earlier years of his Presidency, without apparently having ever con-

knew as Upper and Lower Canada, have no Atlantic ports; they have, however, one capital advantage over us in their mighty St. Lawrence, which affords a water-line navigable for a ship of 1,000 tons, 2,500 miles inland to the very centre of the continent. This great water-way, having its outlet on the fiftieth parallel, is closed to them for nearly half the year. This alone has prevented the Canadas from rising to the condition of a first-class State; for the practicable and only proper commercial outlets to the great river, for climatic reasons, are the harbors of Boston, Portland, and New York. On the other hand, this great water-way, even when free from ice, and flowing ready to serve the Western States, as their outlet to the ocean, is closed by a barrier far worse than ice, that of the prejudice and non-intercourse worked by bad statutes. The Almighty made the great plains of the West and of the Canadas for the habitation of his children. Between them and the ocean he raised the great Laurentian chain of mountains which we know as the Appalachian range. On the north he opened the river St. Lawrence, and through the frequent gaps in the mountains the way for our iron roads has been discovered. As one country, each section would have supplemented and benefited the other; but men in their ignorance and prejudices have frozen the river after the ice itself had floated away, and have closed the gaps in the mountain chains, even after the iron road had been laid down in them. Are there words to express the folly of those who would reconstruct the continent more fitly than it has pleased the Almighty to do it? Are those men statesmen or blind idiots who render the labor of man more arduous, who double the sweat of the brow, and serve but half the loaf that might be eaten? These are not mere questions of a dollar, more or less, but they are questions that lie at the foundation of human society, and that are a part of social ethics."—EDWARD ATKINSON, *Address before the Boston Board of Trade*, 1874.

sidered the danger of further politically incorporating with us as a nation, races and States that we cannot politically assimilate or digest, earnestly desired to annex San Domingo, and make it a part of the United States. The scheme failed to receive the assent of either Congress or the nation, and consequently failed; but, recurring to it in his last message, General Grant maintained that if "my views [about annexation] had been concurred in, the country would be in a more prosperous condition to-day, both politically and financially." And for this belief he gives the following reasons: "Santo Domingo is fertile, and upon its soil may be grown just those tropical products of which the United States use so much, and which are produced and prepared for market now by slave labor almost exclusively, namely, sugar, coffee, dyewoods, mahogany, tropical fruits, tobacco, etc." He next proceeds to show, that of the above-enumerated useful commodities, Cuba and Brazil furnish the United States at present with the larger portion of their needed supplies; but that legislation, "particularly in Cuba," is "unfavorable to a mutual exchange of the products of each country." San Domingo annexed, the following changes, in the opinion of General Grant, would immediately occur: "All that is produced in Cuba could be produced in Santo Domingo. Being a part of the United States, *commerce between the island and mainland would be free; there would be no export duties on*

her shipments, nor import duties on those coming here. There would be no import duties upon the supplies, machinery, etc., going from the States." All restrictions on commercial intercourse being removed, "hundreds of American vessels," he continues, "would now be advantageously used in transporting the valuable woods and other products of the soil of the island to a market, and in carrying supplies and emigrants to it. The island is but sparsely settled, while it has an area sufficient for the profitable employment of several millions of people. The soil would have soon fallen into the hands of United States capitalists. The products are so valuable in commerce that emigration there would have been encouraged. The emancipated race of the South would have found there a congenial home, and where their labor would be so much sought after that the poorest among them could have found the means to go."

Whether all these glowing anticipations would have been speedily realized had the proposed scheme of annexation been carried out, may well be doubted. But, apart from matters of conjecture, it is interesting to note how quick and keen a mind, which showed itself so little acquainted with industrial and commercial matters as that of General Grant, was to discern the benefit that might follow the removal of all restrictions on exports and imports and intercommunication between the United States and the island of San Do-

mingo; and at the same time how utterly incapable it was to perceive that it was not necessary for the United States to annex and own San Domingo to secure such a degree of commercial freedom between the two countries; that all barriers in the way of attaining such a result were not natural, but mainly and artificially created by the legislation of the United States; and that there was nothing which the people and government of San Domingo would do more willingly than to admit every product of the United States, free of impost, into their ports, and accord all manner of other privileges to citizens of the United States on their island, on condition that the latter country would, in turn, allow the peculiar products of San Domingo to be imported into the United States on the terms that they would be had the scheme of annexation been perfected, that is, free of duty.

The effect of arbitrary legislative restrictions on the international exchanges between the United States and the British Provinces, in hampering and diminishing the *general* business of the country, has been pointed out; but the effect of such restrictions on particular branches of business, obtained by analyzing the details of such exchanges, are equally significant and instructive. The case of the export of *manufactured* lumber is especially a case in point. Thus before the expiration of the reciprocity treaty between the United States and Canada, in 1865, when Canadian lumber could be imported

into the United States free of duty, a very considerable business existed, all the way from Eastport, Maine, to New York, on the Atlantic coast, and also at certain points on the lakes, in importing Canadian lumber in the rough, working it up by machinery into the ready constituents of houses — boards, flooring, shingles, doors, paling, sash, blinds, etc.—and shipping it to the West Indies, South America, Cape of Good Hope, Australia, and other countries, where labor was scarce and machinery almost wholly wanting. Of this business the United States, previous to and during the first two years of the war, had almost entire control; and it is doubtful if even so much as one vessel up to that time left the Dominion waters for a foreign port loaded with any such manufactures. The great increase of prices and wages during the war, coupled with the presence of Confederate cruisers upon the high seas, as might have been expected, materially affected the extent of this business; but immediately on the termination of the war the export increased and gave evidence of complete revival. But when the reciprocity treaty was repealed in 1866, and Canadian lumber was, in consequence of the duties on its import in the United States, made twenty per cent. more expensive to manufacture on this side of the boundary line between the two countries than it was to manufacture on the other side of the same line, the increase was checked and the revival did not take place. American manufacturers

moved their capital and machinery across the borders, or entirely abandoned the export business; while Canadian manufacturers made haste to take up the business where the Americans dropped it, or rather, by the action of their own government, were forced out of it. So that, whereas in 1863 few vessels loaded with manufactured lumber sailed out of the ports of the British Provinces for foreign markets, the number of such vessels so loaded and sailing in 1871 was reported in excess of *seventy*; the shipments of lumber, in great part manufactured, from the port of St. Johns, New Brunswick, to the British West Indies, for example, increasing from \$16,000 in 1855 to \$550,000 in 1872; to the Spanish West Indies, from \$269,000 to \$882,000; and to South America, from \$18,000 to \$127,000, during the same period. On the other hand, the exports of manufactured lumber from the United States have never regained the proportions that they attained prior to the war; \$1,882,000 in 1875, as compared with \$3,158,000 (gold valuation) in 1857, and \$2,703,000 in 1860. The annual exportation of all lumber from the United States, from 1865 to 1874, has also remained almost stationary; while the amount of lumber imported from the Provinces into the United States has increased, notwithstanding the duties and a large augmentation of prices, to meet home necessities.

HOW THE UNITED STATES TRADES WITH CHILI.

But the commercial relations between the United States and British North American Provinces are by no means peculiar or exceptional. They are, in fact, the type of the commercial relations which the United States has established with most or all other countries, and it matters little at what point one begins to investigate it. For he will find everywhere evidence, amounting to demonstration, that the development of the industry and commerce of the United States has been most disastrously checked, and the present state of business depression in a great degree occasioned, by the persistent refusal to recognize, in our commercial and fiscal legislation, the simplest principles of political economy. In further proof of this, attention is next asked to the character of our commercial relations with Chili—one of the most prosperous of the South American States. The manufactures of Chili being few and rudimentary in the extreme, its people import from other countries nearly all that they require of cottons, woolens, hardware, agricultural implements, and other machinery, paints, oils, gunpowder, earthen and glass ware, boots and shoes, straw goods, etc., etc. The largest single item of their imports is cotton cloth, of which Chili imported for domestic consumption during the year 1874—a year of great commercial depression—from Great Britain more than 55,000,000 yards; and from the

United States during the same year, a quantity not in excess of 5,000,000 yards; or, in other words, this little State, one of the smallest among the nations, with a population of about 2,000,000, imported more cotton cloth, to supply her wants, from Great Britain in 1874, than the United States exported that same year in the aggregate to *all* foreign countries combined. During the year 1874 many of the cotton-mills of the United States stood idle or worked on reduced time, for the reason that no market could be found for their products; but, had the United States been able to supply Chili during that year with 55,000,000 yards of cotton cloth, the demand would have sufficed to have kept about 150,000 spindles (No. 14 yarn), or about one-quarter of the cotton-mills in the State of New York, in active operation for every working day in the year; and the withdrawal of the products of these mills from competition in the domestic market would probably have enabled many other mills in the country to have avoided suspension, to the great benefit of labor and to the diminution of destitution and idleness.

Now, what was the reason that the United States were unable to sell but 5,000,000 of yards of cotton cloth in 1874 to Chili, while Great Britain could sell in the same year 55,000,000? Not that the people of Chili preferred English cloth to American, for the general testimony is to the effect that the American cloth is better. Not because the people of Chili were

unwilling to trade with the people of the United States, for the relations of the two countries have always been in the highest degree friendly; and then, again, sentiment has very little to do with trade nowadays. Trade knows little and cares less of the places and nations where goods are made, and nations, alike with individuals, everywhere buy and sell as they think they can best subserve their own pocket interests. "Exactly so," will doubtless be the remark of some readers at this point. "England supplies Chili with cotton cloth rather than the United States, because of the advantage which comes to her through the possession of cheaper, or, as many are pleased to term it, pauper labor." But hold! England indeed has an advantage, but the advantage does not come in here. All recent investigations and practical experience have shown that in respect to the coarser cotton fabrics which constitute the bulk of the world's consumption, the United States can now manufacture full as cheap and probably a little cheaper than Great Britain. There are cotton-mills now running in New England whose products are, and for the past year have been, largely exported and sold, after paying freights and commissions, at a profit in London, Liverpool, and Manchester. Cotton goods made at Fall-River, Massachusetts, and shipped to England, have been reshipped by Manchester firms to foreign markets at a profit. According to the recent investigations of Mr. Atkinson (see communication to the New York

Herald, April 24th, 1877), the cotton-spinner in New England has, and for several years past has had, an advantage in the price of his cotton over the cotton-spinner of Manchester, England, of three-fourths of a cent a pound on the cost of his cotton, which would admit of the New England manufacturer paying thirty-three per cent. higher wages than his English competitor, "and yet make the thirty-inch (cotton) drill at the same cost. But the American cotton manufacturer does not pay thirty-three per cent. higher wages than are paid for similar labor in Great Britain. On the contrary, according to Mr. Atkinson, all the evidence obtainable is to the effect that "the cost of labor per pound or yard of cloth is now as high in Great Britain as it is in New England, and according to some of the evidence, the cost of manufacturing is to-day less in New England than in Great Britain." "This difference the English manufacturer has of late only surmounted" (we continue to quote from Mr. Atkinson) "by adulterating his goods with starch, clay, barytes, and other substances—a practice which is now reacting, and which, in the long run, will not succeed."* In the cost of producing cotton goods of the same quality suitable for the Chilian

* In a recent lecture given before the Society of Arts in London by Mr. William Thompson, F.C.S., upon the "Sizing of Cotton Cloth," a list of the materials used for adulteration was given in detail and the methods described. In witness of the importance of the subject the lecturer said: "As a general rule the whole margin of the whole [English] manufacturer's profit lies within the size used."

market the advantage, therefore, is clearly with the American rather than the British manufacturer; and, other things being equal, the American ought to have the trade. But other things are not equal; and in one particular especially the English manufacturer enjoys an advantage over the American, and by the American's own act and volition, which in the race for competition leaves the American nowhere. The Englishman recognizes the truth, and acts upon the basis, that all trade is barter, product being given for product, service for service; that to sell one must buy; and in supplying Chili with cotton cloth he takes his pay for his cloth in what Chili has got to pay with. The American manufacturer, on the other hand, refuses, or by the act of his own government is not allowed, to take his pay *directly* in what Chili has got to sell; and as a consequence has not, and as long as he continues to pursue the same course never will have, any considerable trade with Chili.

Thus, the commodity which Chili has mainly to sell is copper ore; out of a total export in 1872 of about \$30,000,000, more than one-half in value (\$17,500,000) consisting of ores of copper, copper regulus, and unwrought copper. Another important article of Chilian export is wool. Now the method of trade between Great Britain and Chili is as follows: British ships, loaded with cotton goods (average 55,000,000 yards per annum), hardware, paints, machinery, paper, etc., sail

for Valparaiso, earning freights. Arriving in Chili, the cargo unloaded is replaced with another cargo of copper ores or wool, and the ships return to England, earning other freights. Profitable employment is thus given to many British ships, and an explanation in great part afforded of the continued supremacy of the British commercial marine, which strengthens and increases just in proportion as trade increases. Arriving in England the copper ores are sold to the copper-smelters at Swansea, in the southwest of England; who, in converting them into mercantile forms, employ English labor, English capital, English railway service, and consume large quantities of English coal. Smelted into ingots, rolled into sheets, or converted into yellow-metal or brass, the Chilian copper is finally sold to whoever in the world wants to buy—and all the world always does want to buy copper under some conditions*—and out of the proceeds of the sale the Swansea smelter pays himself, pays the cotton-spinner, the shipowner, the coal-miner, the common carrier, and all others concerned; the movement; as a whole, being in the nature of a great circle of transactions, in every one of which some profit accrues to English capital and some opportunity

* Consider the conditions under which that part of the world known as the United States buys. English yellow-metal is admitted free of duty if used on American vessels not engaged in the coastwise trade; while the copper ore and copper out of which this very yellow-metal is made are excluded from our ports by the excessive duty imposed on their importation.

for employment is afforded to English labor. But in this great and special circle of production and exchange American capital and American labor find no place. Other interests have in effect said to Congress, a dollar made in copper-mining in the United States is worth more than a dollar made in copper-smelting in the United States, although the copper-smelting forms the link in a chain of transactions, which, uninterrupted, will allow of a great and continuous commercial current, and which in turn will give employment to ten dollars of capital and ten laborers, where the interests of copper-mining will employ of each but one. And Congress has thus far listened to the demands of the *small* and crushed the interests of the *great*,* and since 1869 has imposed rates of duty on copper and copper ore, which really were not needed to sustain any American interests, and which have made the importation of either of these commodities into the United States practically impossible. Previous to 1869 this was not so. Then, under a duty of five per cent. *ad valorem*, copper ores, obtained in exchange for various products of American labor in Chili, on the coast of Africa, and in the West Indies, were imported in considerable quantities, and large works existed in Boston and New York harbors and in Baltimore for smelting them in connection with

* The value of the copper product of the United States for 1870 was returned at \$5,201,312; of cotton goods, \$250,347,000; of woolen and worsteds, \$177,495,000; of boots, shoes, and leather, \$287,065,000.

American ores that mixed advantageously. But no smoke has come out of the chimneys of any of these works since the imposition of the existing duty, and so long as it is continued none ever will.

How great the extent of this special circle of industry and commerce from which the United States by its legislation has excluded its labor and capital is strikingly illustrated by the circumstance *that, for the year 1875, the value of the copper, manufactured and unmanufactured, which Great Britain exported, was greater than the value of all the wheat in the form of flour exported from the United States during the same period.** And wheat flour, it is to be borne in mind, is one of the commodities for the exportation of which it is universally admitted the United States has advantages equal to if not greater than those of any other portion of the globe; while the advantages enjoyed by Great Britain for supplying the world with copper are naturally no greater than pertain to the United States, and in some respects are unquestionably inferior.

In 1876, there being an evident opening for the sale of American farm products, cotton fabrics, machinery, hard-

* For the year 1875 the United States exported 5,147,140 pounds of unmanufactured copper, of the value of \$1,046,227; and of brass and manufactures of copper and of brass, to the value of \$1,125,711; total, \$2,271,938. During the same year Great Britain exported of copper, wrought and unwrought, and of brass and yellow-metal, 1,001,940 cwt.: having a declared value of \$24,910,250, gold. On the other hand, the value of the wheat flour exported from the United States for the fiscal year 1875, was returned at \$23,712,440, currency.

ware, etc., in Chili, a line of steamers was started from Boston; owned in great part in the United States, but of British build and register, carrying the British flag, and commanded by an English captain. After a year's experience, the agents report that they succeed tolerably well as to outgoing cargoes, but are embarrassed about the return cargo; and ships to be profitable must earn freights both going to and returning from a market. These Boston steamers, to obtain a return cargo, have therefore been obliged to take Liverpool freight and tranship it at Boston; several hundred tons of copper in one instance, for example, having been recently brought by one steamer to Boston. But, as this cargo could not be profitably landed at Boston, paying duty, it had immediately to be sent to England.*

Another important article which Chili has to export, and give in payment for foreign products, is nitrate of soda (Chilian saltpetre), largely used in the manufacture of gunpowder, sulphuric and nitric acids, and for fertilizers; and our recent industrial and commercial ex-

* For the five years preceding and including 1876, our average exports to Chili have been \$2,280,301 per annum; while our average imports from Chili have been but \$800,566 per annum. The whole foreign commerce of Chili for the year 1874 amounted to the large total of \$72,958,379. Of this commerce the United States enjoyed less than 5 per cent., ranking after England, France, Germany, Peru, and Bolivia. For the fiscal year ending June 30th, 1876, our exports to Chili were as follows: Manufactures of cotton, \$490,330; refined sugar, \$435,523; manufactures of iron and steel, \$269,067; manufactures of wood, \$181,422; railroad cars, \$174,975; provisions, \$131,576; mineral and other oils, \$112,283; agricultural implements, \$88,075; all other articles, \$316,259.

perience with this raw material for manufacture as strikingly illustrates the beneficial effects of exemption from governmental interference, as our recent experience with that other raw material, copper, illustrates the disastrous effects of such interference. Prior to 1870 nitrate of soda was subjected on importation to a duty of one cent per pound; since 1870 it has been admitted free of duty. Note the effect. The imports, which in 1869-70 were 28,867,000 pounds, have increased to 51,887,000 in 1876. Who and what has been benefited? *First*, the carrying trade between the United States and Chili. *Second*, the general industry of the United States, for the labor embodied by the Chilians in digging and shipping the saltpetre, has been compensated by an equivalent amount of labor embodied in some products (manufactured) of the United States, nearly two pounds of nitrate of soda being used for the manufacture of gunpowder, nitric and sulphuric acids, and fertilizers; where one was used but a few years previous. *Third*, the powder, acid, and fertilizer makers, and the bleachers and dyers of the United States, who, having a part of the tools (raw materials) of their trade cheapened, have evidently sold more, and been enabled to sell cheaper, and so better contend against foreign competition in the production and sale of similar products. And who and what has experienced anything of detriment by the remission of duties on this Chilian saltpetre? The United States lost an amount of annual

revenue (1869-70) of \$288,000, which was probably not one-twentieth of what the country gained indirectly, reckoned in money.

HOW WE TRADE WITH THE ARGENTINE REPUBLIC.

Leaving now Chili, and crossing the continent to the east, we have the Argentine Republic, another South American State resembling Chili. Its importations for the year 1874 were as follows: From England, \$21,405,000; from France, \$19,836,000; from Belgium, \$16,777,000; and from the United States, \$3,945,000, with *exports* to the United States of \$3,747,000. An analysis of this insignificant trade between the United States and the Argentine Republic shows that it consisted, during the year specified, mainly of lumber, with some kerosene, tobacco, railway supplies, alcohol and whisky, furniture, machinery, and a few other articles, *exported* from the United States, which were paid for mainly (to the extent of about two-thirds) by an import from the Argentine Republic of dry hides, together with a little wool; and small as was this trade in 1874, the latest consular advices report it as diminishing and not increasing. During this same year the export of cotton goods from Great Britain to the Argentine Republic was in excess of 40,000,000 of yards; while for the year 1875-76, the export from the United States of these same fabrics to this same country was practically nothing—155,000 yards being officially reported. Again, of

more than a million of dollars' worth of boots and shoes imported into the Argentine Republic in 1874, only ten thousand dollars are reported as furnished by the United States.

The explanation of these curious commercial phenomena is not, however, at all difficult. The principal commodity of domestic production which the Argentine States have got to give in exchange (or pay with) for the commodities of foreign production which it desires to have, is Mestiza wool; which, in connection with sheepskins and tallow, comprises about two-thirds in value of the entire exports of the country. The United States could use Mestiza wool in large quantities, and pay for it with cotton goods and other manufactures, if our manufacturers were allowed to buy it. But this they are not allowed to do; for the duties on the import of this wool are all but prohibitory, and under such a condition of things there can be but little trade.

It is useless to expect to ship goods to Buenos Ayres to the growers of Mestiza wool and ask money in exchange; for they cannot pay money, even if the prices of our merchandise are considerably lower than the prices of corresponding English products, for they have not got it. There is no coin of any kind in circulation in the Argentine States, not even for small change, and the paper money used is of the most depreciated character. Hence, so far as we shut Mestiza wool out, we shut American cotton fabrics and other merchandise

in. England, on the other hand, imposing no restrictions on the trade with wool, the wool product of the Argentine States finds its way mostly to England, and is paid for, primarily, with English goods; and this in the main also is the reason why England, in 1874, sold to these States merchandise to the value of *seven* dollars, where the United States sold *one*. If it now be rejoined that, in proportion as we exclude and use less of Mestiza and other foreign wools, the greater the amount of home-grown wool we will manufacture, and the larger the quantity of home manufacture we will sell to the American wool-grower for consumption, the answer is, that any such rejoinder will not be in accordance with experience. For a reference to any file of American "price currents," running back to 1840, will prove, beyond the possibility of dispute, that the American wool-grower has always obtained the highest prices, and has raised proportionally the largest quantity, when foreign wool has been free of duty; while since the year 1868-9, when the duties on the importation of foreign wools were made practically prohibitory, he has obtained lower prices for his product than almost ever before in our history, and has bought the smallest quantities of other domestic merchandise.*

The same obstacles in the way of an extended com-

* The business of Europe with the River "Plate" requires the dispatch of one large steamer on an average every day of the year. But, as the bulk of the exports from the countries bordering on this great river

merce between the United States and the Argentine States also exist and operate on even a larger scale in respect to the trade between the United States and Australia and New Zealand. The rapid development of these British colonies in the South Pacific is one of the wonderful social and economic phenomena of the latter half of the nineteenth century; the aggregate of their exports and imports (with a population of 2,278,000) for 1875 being \$458,399,000, or more than three-eighths of the aggregate foreign trade of the United States, with a population of about 44,000,000, for the same year. During the year 1875 these colonies imported, paid for, and consumed commodities of foreign production to the extent of \$236,000,000; and of these the United States furnished so small a proportion that in the official and general summary of our exports (see Report of the Bureau of Statistics, 1875-76, p. 110) our Australian export trade is not considered of sufficient importance to have a special enumeration, but comes in

are almost exclusively wool, sheepskins, tallow, and hides; and as the duties imposed on the importation into the United States of the first three of these commodities are practically prohibitory, steamships carrying American products direct to these countries of South America, if once established as is proposed by subsidies, would, as long as our present tariff remains in force, have to return empty, and so run unprofitably. Our own legislation, therefore, makes Europe the market to the countries of the River Plate for selling; and the market for selling is, under most circumstances, the market for buying. Again, the bulk of our present exports to the River Plate is lumber, which cannot be profitably carried in steamships; so that under existing circumstances the United States would seem to be precluded from having regular cargoes for steamships either way.

under the general head "Domestic Exports to [all] the British East Indies, Australia [and New Zealand] for 1875, \$3,978,000." And yet an examination of the details of this small export shows that the Australians found it for their interest to buy a little of almost all the manufactured products which it is particularly for the interest of the labor of the United States should be sold abroad; and this, too, when the Australian markets were undoubtedly fully stocked with similar articles, the products of other foreign countries. If it be asked why these British colonies did not buy more of us, the answer is simple, and in the main is the same as must be given to the question, Why do not the Chilians and the people of the Argentine States of South America buy more? It is because the people of the United States will not take their pay for what they want to sell in what the Australians and New-Zealanders have got to pay with, mainly, wool and copper; and the enemies to the development of American industry are not, as it is continually and most impudently asserted, those who desire freer trade as a part of the fiscal policy of the United States, but those who demand that the existing obstacles to trade which have been pointed out, and the injurious effects of which are so obvious, shall be continued.

HOW THE REMOVAL OF RESTRICTIONS ON EXCHANGES
INCREASES BUSINESS.

In broad and striking contrast with the above illustrations of the effect of restrictive legislation in restricting trade and commerce, attention is next asked to the following equally striking illustration of the effect of the removal of legislative restrictions in increasing trade and commerce, the same being derived from the most recent data, and forming part of a paper, "On the Tariff," presented by Mr. J. S. Moore to the American Social Association, Saratoga meeting, 1877:

"In 1870, our trade with Venezuela was as follows: We imported from that republic products valued at \$2,037,312, and we exported products valued at \$1,307,833. In fact, our whole import and export trade with Venezuela amounted in 1870 to \$3,345,145. Now, it must be borne in mind that Venezuela has but two great articles of export—namely, coffee and hides—both of which, up to 1870-72, paid a duty in the United States. But during 1870 we made coffee free, and in 1872 we made hides free in the United States, and the increase of our trade with that republic, in imports and exports, shows a wonderful result.

"In 1876, we imported from Venezuela products valued at \$5,875,715, or nearly three times more than in 1870; and we exported to that republic in 1876 goods valued at \$3,424,278, as against \$1,307,833, an increase

of over 260 per centum as compared with 1870. In fact, to show this wonderful increase of trade at a glance, I will repeat that our whole trade, imports and exports, in 1870 with Venezuela was \$3,345,145, and in 1876 it was \$9,299,993. But I am tempted to ask two questions: First, what was the nature of the increase of our imports? and second, what was the nature of the increase of our exports? Well, in 1870, when coffee and hides paid a duty in the United States, we imported \$1,269,478 worth of coffee and \$440,449 worth of hides; while in 1876, when coffee and hides were free, we imported \$4,581,745 worth of coffee and \$668,531 worth of hides. Thus, these two articles show an increase of over 320 per centum. But the next answer, the nature of the increase of our exports to Venezuela, is as interesting as indeed it will prove conclusive.

“ Here is a table which gives the value of articles exported to Venezuela in 1870 and 1876 respectively:

Articles.	Years. 1870.	Years. 1876.
Beer.....	\$56	\$12,299
Breadstuffs.....	291,788	788,696
Candles.....	7,265	28,665
Carriages.....	5,434	45,544
Brooms and brushes.....	1,824	6,213
Clocks.....	516	3,784
Cordage.....	20,439	65,845
Cotton goods.....	11,958	126,950
Drugs and chemicals.....	23,501	110,825
Earthenware.....	95	2,724
Fancy articles.....	25	5,370

Preserved fruits.	\$483	\$7,157
Iron, steel, cutlery, and guns.....	141,043	246,281
Lamps.....	1,035	7,565
Leather goods.....	2,075	7,630
Marble and stone.....	800	19,570
Pianos.....	320	3,236
Mineral oil.....	21,993	52,008
Paper and stationery.....	3,688	37,950
Provisions.....	119,393	463,280
Sewing-machines.....	5,993	58,208
Soap.....	3,844	16,924

“Such is the list of the chief articles of export:

“Now, can anything prove more conclusively than the foregoing that a free exchange of commodities is conducive to the benefit of both countries engaged in the trade?

“But a still more astounding proof can be found in the effect that this freer exchange of commodities had on the shipping business. In 1870, when we had a duty on coffee and hides, the American shipping engaged in the trade with Venezuela was as follows: The total American ships engaged in the trade that entered and cleared from and to Venezuela amounted to 15 vessels, of 2,571 tons capacity, employing 109 hands. In 1876, the American ships engaged in the same trade amounted to 134 vessels as against 15 in 1870, with a capacity of 43,459 tons as against 2,571 tons in 1870, and employing 1,255 American hands as against 109 hands in 1870.

“Another and still more conclusive demonstration that the freeing of the raw material of an industry from

taxation immediately leads to a greater exportation of the products of such industry, can be found in the following facts: I said that in 1872 we made hides free; now let me show the effect the freeing of raw hides had on our export of tanned leather.

“In 1872, the last year when a duty was levied on raw hides, our

Export of tanned leather was valued at.....	\$2,864,800
In 1873, the first year after hides were free, the export value of leather rose to.....	4,365,174
Two years later, in 1875, it rose to.....	7,064,482
And in 1876 the amount exported was.....	7,940,010

“In fact, while our exports of tanned leather under the hide duty in 1872 was only \$2,864,000, it rose in 1876 under free hides to nearly \$8,000,000.

“I candidly ask any unbiased mind who has given economic questions the least attention, whether these demonstrations are not sufficient to prove that our existing tariff constitutes one of the greatest obstacles to a return to national prosperity? If by allowing free coffee and hides to come from Venezuela we have increased our exports threefold to that republic, how much more will we increase our exports to Australia and Chili, if we allow the wool and copper of those countries to come in free, or to India, if we make linseed, hemp, and saltpetre free: and if, by freeing raw hides of a duty, we increased our exports of tanned leather threefold, how much more will we increase the exports of woolens and partially

manufactured lumber if we make raw wool and wood free?"

As the main object of the above inquiry has been to prove to the people of the United States that there can be no large and speedy development of the industry and commerce of this country, so long as laws needlessly restricting free exchanges and reciprocity in trade exist upon our Statute Book; and, as the truth, without anything in the way of evasion or concealment, is what the public have a right to demand, the writer would here ask attention to certain objections which the advocates of the restrictive policy—wrongfully called "protective"—have preferred against his statements and reasonings. Thus, for example, a leading protectionist in Philadelphia (shortly after the original publication of the substance of this inquiry in the *North American Review*, September, 1877) wrote to the *New York Nation*, over the signature of "*Merchant*," as follows:

"The function of money, or its representatives, is that of enabling indirect exchanges to be made. The shoemaker buys his cabbages from one man and sells his shoes to another. Trade, in place of being a right line between two points, becomes, so to speak, triangular and polygonal.

"This applies pre-eminently to nations, which are ag-

gregations of individuals, each of whom acts according to his individual interest, in place of being, as Mr. Wells assumes, units actuated by a common purpose, and asking, before they buy a yard of calico, whether a half-pound of copper regulus will be taken in barter. If a Chilian merchant can buy a salable bale of Fall-River cloths cheaper than a similar bale from Manchester, he will not reject it because the Fall-River mill cannot buy Chilian copper. He knows that the copper will be sold to Swansea, and that the resulting bill of exchange on London will settle his debt at Fall-River as readily as at Manchester. He knows, moreover, that if he patriotically refuses to buy the Fall-River goods, his competitor across the street will do so and will undersell him. All this is the A B C of trade, and no pathetic groaning over the 55,000,000 yards of cottons supplied by England, in comparison with the 5,000,000 yards supplied by the United States in 1874, will get rid of it."

To this it may be replied, that on a small scale and in individual instances it may be true that the Chilian merchant, if he could buy cotton cloth of American product cheaper than English cloth, would not fail to do so. But, on a large scale, the Chilian merchant would probably soon find out by experience, what the people of the United States are now learning to their cost, that trade, in order to increase and be profitable, has got to be reciprocal. No matter how much the farmer in Illinois may want cloth, and no matter how

cheap the New York merchant may be willing to sell to him, if there is an obstruction in the way of the farmer selling his wheat, or other product of his labor he has to pay with—whether that obstruction be in the nature of a bad road, an unbridged river or swamp, a range of mountains, a legal enactment like a prohibitory tariff, an expensive ship or railroad, or an unwillingness on the part of the cloth-sellers to accept anything from the farmer but coin—the tendency will be to reduce the farmer's consumption of cloth; and, if the obstruction be made sufficiently great, the farmer will not buy any of the New York cloth, no matter how cheap it may be offered in New York. Now, in the case of the Chilian merchant, the obstruction created has been sufficiently large to prevent his buying any considerable quantity of American cloth. The opportunity, practically, is not offered to him to decide whether he will purchase the American or the English fabric. Coarse American cotton cloth is cheaper and better to-day at the place of production—Fall-River and Springfield—than its competing English product; but when the American cloth gets to Valparaiso, the only thing the exporter can boast about it will be its quality and not its price. But why is this? In great part because the American protective system, besides enhancing the cost of ship-building, has destroyed all reciprocal trade between the United States and Chili, and, reciprocal trade being wanting, there is no opportunity for the profitable em-

ployment of ships; for ships, to be made profitable and carry freights cheap, have got to earn freights both ways—both in going *to* and returning *from* a market. While Europe sends on an average one large steamer every day in the year to some South American port, the United States has only one line, running bi-monthly, from Boston, established by a private firm as a matter of experiment; and for this line to obtain return freights and live, it is obliged to take cargoes of copper ore and wool on British account, and tranship them in bond at Boston for Liverpool, because the tariff practically will not allow of the importation of these articles into the United States. To transport goods from New York to the west coast of South America (*via* the Isthmus) is reported to cost \$44 per ton, gold, and from England, \$15 to \$20. From Europe, by sail, to the west coast, the reported cost is from \$3 to \$6; and from the United States, at from \$10 to \$12, gold.

But, supposing that the American cotton manufacturer could offer his cloth in Valparaiso as cheap as the English, then, says "Merchant," "the Chilian knows that his copper will be sold in Swansea, and that the resulting bill of exchange will settle his debt at Fall-River as readily as at Manchester." Now, this reads well and seems plausible; but let us reason a little about it. If New York sells \$100,000 worth of cloth to Chili there is naturally a profit on the transaction. If the \$100,000 received are expended in Chilian copper

and wool, and these commodities are brought to New York, there is or ought to be in the course of trade another profit; and the American merchant gains both ways. On the other hand, if the Fall-River cloth is sold in Chili, and a bill of exchange is bought with the proceeds of the sale, and the same remitted to the United States, there will not only be but one profit, but in addition a loss to the American merchant on the rate of exchange (which has to come through a third country); for exchange in Chili on London uniformly rules high—as high as from $12\frac{1}{2}$ to 15 per cent. But from this latter tax the Englishman, because his commerce with Chili is reciprocal and in the nature of barter, is practically exempt. Technically, therefore, while a bill of exchange on London, bought in Valparaiso, will settle a debt as readily at Fall-River as at Manchester, an American merchant who should undertake to sell cloth in Chili and buy exchange with the proceeds for home remittance and payment, would find himself “nowhere” in competition with his English competitor. “Merchant” also apparently overlooks the circumstance that for the United States to sell goods to South America, and take pay for the same at the place of sale in bills of exchange drawn upon England, is in effect an exchange of commodities with England. For with what, if not in exports to this country, could England pay its bills of exchange? And does it not follow that, to be of any use to this country, a South American trade

working after the manner supposed by "Merchant" necessitates an indefinite increase of imports from England?

Again, as the policy our "Merchant" advocates has killed nearly all the direct trade of the United States with Chili, Australia, and the Cape, it so happens that the raw wool of these countries which we in the course of the year need is usually bought in England, and not directly from the countries that produce it. Hence it follows that we are obliged to pay to a third country another percentage or profit on the products of Chili and Australia which our manufacturers require, and which, if we had a direct trade or barter, could, of course, be avoided. Those who have studied most carefully the present conditions of producing the cotton fabrics which constitute the bulk of the world's consumption, tell us that the question as to what nation shall supply the world with such fabrics lies within the limit of a half a cent a yard on the cloth woven. If this be true, what chance has the American manufacturer in the present one-sided, imperfect, profit-destroying system of commercial transactions which the United States now maintains with foreign countries? There is but one answer. The American manufacturer-merchant is beaten in the race before he starts.

Another frequent point of cavil which has been made to the results of the above inquiry by the advocates of commercial restriction and interference is, that the

removal of restrictions on our international exchange created by our tariff cannot be as effectual or necessary for the development of industry and commerce as is represented, for the reason that certain countries can be cited, in respect to the importation of the staple products of which the United States imposes no legislative restrictions of any kind, but which buy little of the foreign products they need from the United States, although the latter are among the largest and most constant customers of the former. Thus, for example, the United States now buys annually of Brazil, produce—mainly coffee and India rubber, on the importation of which into the United States no duties are levied—to the amount of about \$43,500,000; while Brazil in turn, and in the absence of all discriminating duties on her imports, buys of the products of the United States only to the amount of some \$7,500,000, leaving a clear balance annually against the United States of about \$36,000,000.

Again, the latest returns of the Bureau of Revenue of Japan show, that while that country sold to the United States during the year 1876, commodities—teas, silk, etc.—to a value greater than to any other foreign nation (6,887,307 gold *yens*), Japan in return bought comparatively little of the United States (1,811,083 gold *yens*); much less than it bought during the same period from either Great Britain, France, or China; although the laws of Japan in respect to

commerce in no ways discriminate against the United States.

Now in answer to all such specious criticism it may be said, that while it admits of demonstration that, under conditions which will not permit of freedom of trade with foreign nations or reciprocity in international exchange, it is hopeless for the people of the United States to expect any great development of their foreign commerce, or the creation of any new or large markets for the surplus products of their industries, it is not pretended that the removal of restrictions on exchanges will of itself and alone be all-sufficient to create trade and commerce. An adequate supply of moisture is necessary for the successful culture of the soil, and without moisture there will certainly be no harvest. But in addition to a supply of moisture, there must be also a certain fertility of the soil, good seed, and sufficient tillage, or the fruition of the earth will amount to but little. And as in agriculture, so in commerce. There must be the right to have commerce—or the right to freely exchange—or there will be no commerce. But in addition, in order that commerce may increase and be profitable, there must be good and efficient instrumentalities for carrying on commerce—ships, money, credit, etc.—and an ability to offer the commodities that it is desired to exchange (sell) on terms (at least) as favorable as are offered by our competitors.

Making a practical application of these principles,

the curious existing commercial relations between Brazil, Japan, and the United States, before referred to, admit of an easy explanation. The United States buys coffee of Brazil to the amount of about \$36,000,000 annually; because coffee to the United States is a necessity, and the United States can buy better of Brazil than elsewhere. Brazil in like manner consults her own interests in buying such of the products of foreign nations as she needs. The natural tendency is that she should buy of her best customer. But until within a very recent period, the price of all manufactured products—mainly by reason of our bad fiscal policy—has been so much greater in the United States than in Europe, that Brazil could not afford to enter the markets of the United States for her supplies, and she went where her dollar would buy the most. But now that prices have declined, and the United States can supply Brazil, with cloth, furniture, railroad material, and the like, as cheap or cheaper than Europe, it is found that the same fiscal policy which has abnormally increased the price of American products, has also deprived the United States of an ocean marine efficient for cheaply and quickly effecting exchanges with foreign countries; so that if the American producer desires to sell to Brazil, he is now under the necessity of employing English shipping instrumentalities to do so cheaply and quickly. And what is true of the present condition of our commercial relations with Brazil is equally true of

our commercial relations with Japan and other countries, which naturally tend to trade with the United States, but, by reason of our fiscal and commercial policy, are absolutely prevented from doing so.

