Marine Solution of the Money Question

BY

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That our monetary system is now on trial and threatened with a change that, mainly on account of its deficiency in ocean shipping, the country is evidently unwilling to make, seems not to have entered the public mind. This fact of itself is an ominous sign, showing as it does that our thoughts have become concentrated on our terrene interests, with the result of leaving maritime questions practically unconsidered.

Why is specie sent abroad? Manifestly to pay foreign debts, due or to become due. Our paper currency will pay debts at home; but gold-standard countries want gold, silver-standard nations take silver, and countries with a bimetallic currency will accept either. However, as London transacts the world's exchange, and as the British standard is gold, it results that silver is of little use in paying American debts abroad. Most of our silver export is considered only as merchandise as a precious metal.

What is wanted, therefore, it would seem, in a monetary system for the United States, is gold for foreign payments, with bimetallic coin and paper for domestic money, as at present. Whatever system we adopt should be chosen for its adaptability to our own needs, and the real question seems to be, Shall we allow our trade relations with foreign nations to compel a change in our monetary system, or shall we so alter our trade relations as to suit them to our system, and serve our national interest in the working of our silver mines? Remove the danger threatening our present monetary system by the export of its gold constituent, and less will be said about the disparity of silver. The world abroad cares for this now, because it expects to get all our gold in the liquidation of debts, and does not want our silver coins at a discount afterward. The attempt of the nations of Europe to meddle with the constitution of our monetary system prompts the thought that, while preparing for war among themselves, they anticipate our ultimate bankruptcy. Evidently they are much more concerned about it than the American people. What exists to justify this apprehension? The majority of our citizens see nothing, yet it cannot be groundless. The fall in the price of silver cannot be the cause of so much speculation. This cause is the export of gold that is so easily made. What is the significance of this export? Plainly, an adverse balance of trade abroad. We are in foreign debt. We are likely largely to increase that debt, and the ruinous balance, at an early day. A reduction of the tariff will tend to these results, but other agencies are at work. Our exports of merchandise are not keeping pace with our imports, even with the support of reciprocity and the McKinley Bill. Our carriage in the foreign trade, the equivalent of shipments abroad, is constantly falling off. In the last four years, of the proportion of value carried by our own vessels we have lost,

In the import trade, 4.54 per cent,

In the export trade, 31.21 per cent,

and this under an administration that promised to "rehabilitate" our marine. Not to single out the late administration, we will state the loss for the four years previous; this was:

In the import trade, 17.41 per cent,

In the export trade, 18.12 per cent,

of the proportion of value carried in 1884. Of the value of imports, our vessels carried in 1892 17.66 per cent; of exports only 8.11 per cent; and taken together the share was but 12.3 per cent.

There can be no doubt that it is this unprosperous state of our foreign trade which is secretly and by degrees undermining European confidence in the continued solvency of our nation. Our commerce is enormous, but so little is carried in our own ships that it is completely under foreign control, not for carriage only, but for shipment.

We are almost helpless in our passivity. No other of the great nations of the globe has experienced so swift and so complete a decadence in commercial and nautical power. It is this state of things that fills with distrust the mercantile mind of Europe. And we are bound to admit that our neglect of the shipping interest, our most unwise policy of turning it out, unaided, to meet the competition of the world, and its consequent ruin, is well calculated to create the prevailing apprehension. The foreign statesmen who observe our shipping policy are not likely to tell us what they think of it. They are concerned in getting away from us all the ocean carriage that they can; they are surrounding their own marines with various forms and measures of protection, and take no active interest in the question of an American marine. They talk of the cheapness of silver, and meanwhile plan to capture our stock of gold—by the work of their ships.

As we have elsewhere shown,* ocean transportation or freightage to foreign countries, by vessels of our own, is export; by foreign ships, it is import; or is the equivalent of these transactions in the settlement of the balance of trade abroad. From foreign countries, freightage by foreign vessels is equivalent to import; by ships of our own, to export. We may say, transportation in the foreign trade increases exports and reduces imports. In other words, freightage or freight money is a product of vessels directly concerned in the making or paying of foreign debt. Here is a simple problem that will illustrate the value of shipping employed in foreign traffic:

There are two cargoes in New York and two other cargoes in Liverpool, each valued at $100,000. Freightage will amount to the same sum both ways. An American ship takes one of the New York cargoes to Liverpool, and returns with one of the Liverpool cargoes to New York; a British ship takes the remaining Liverpool cargo to New York, and returns with the remaining New York cargo to

* "American Marine: The Shipping Question in History and Politics," 1892.

Liverpool. We build, equip, man, provision, insure, and run our own ship, and the British do likewise by their ship. We do the banking, commission, and insurance on our cargoes, and the British do likewise for their cargoes. There is a fair exchange of merchandise and a just reciprocation of services, and the balance of trade is even between the two countries.

But suppose that two British ships, one at Liverpool and the other at New York, carry each one of the British and one of the American cargoes. The freightage is equivalent to twenty per cent of cargo value in each case. The banking, insurance, and other items of expenditure are five per cent. Then the account will stand:

BRITISH ACCOUNT.

Two cargoes at $100,000 each	$200,000
Freight on four cargoes at 20 per cent of value	80,000
Insurance, banking, etc., four cargoes at 5 per cent	20,000
Total	$300,000

AMERICAN ACCOUNT.

Two cargoes at $100,000 each	$200,000
Adverse balance of trade	100,000
Total	$300,000

From these examples it may be seen how an adverse balance of trade abroad is created, not by a lack of goods sold, but by the freighting of a foreign marine, and the use of capital in banking and insurance in connection therewith. Where the foreign merchant as well as the foreign ship is employed, there is, of course, another item, for his profit and our loss, to be included in the calculation. Thus a passive commerce, carried on by means of foreign money, men, and ships, is as surely ruinous in result as play with loaded dice. Yet such has been our late experience. Foreign rulers well understand that want of shipping power discounts productive power, and that all we seem to be gaining on the land must be lost on the sea, un-

less we sail it with our own ships in an active commerce for our own advantage.

A statistical view of the actual situation will show us plainly the disadvantage of our present dependence on foreign merchants and their ships. If a period of five years, 1887–1891, be taken, we shall find that the annual average of American carriage of imports in value was $123,-618,865; of exports, $75,963,162; and of both, $199,582,-027. Estimating the import freightage at ten per cent and the export at fifteen, we have this statement of transportation, trade, and insurance.

AMERICAN TRADE AND TRANSPORTATION.

Carriage of $75,963,162 exports at 15 per cent	$11,394,474
Carriage of $123,618,865 imports at 10 per cent	12,361,886
Whole value of carriage	23,756,360
Profit on the commerce of equal amount	23,756,360
Insurance on cargoes $199,582,027 at 1 per cent	1,995,820
Amount of business*	$49,508,540

Allowing alien merchants, shipowners, and underwriters to have done the remainder of business at equal rates, for the average year of the period 1887–1891, we have this statement:

ALIEN TRADE AND TRANSPORTATION.

Carriage of $676,037,177 exports at 15 per cent	$101,405,576
Carriage of $599,597,463 imports at 10 per cent	59,959,746
Whole value of carriage (freightage)	161,365,322
Profit on the commerce of equal amount	161,365,322
Insurance on cargoes, $1,275,634,640, at 1 per cent	12,756,346
Amount of business	$335,486,990

Here is a volume of alien business in our foreign commerce so much increased beyond the amount of sixty-five years ago as to be enormous in its ratio, which is 6551 per cent, against our absolute loss of 5 per cent. Is it matter for wonder that Europe can command our gold? Is it important to discuss the parity of silver? It is the parity of

* Strange as it may seem, the volume of trade and transportation thus shown was exceeded fully 5 per cent. in the average year of a five-year period sixty-five years ago.

shipping, of merchant fleets and merchant citizens, that is called for.

But we should add the passenger traffic to the alien account. Our ocean transportation for 1891, at 15 per cent of value carried, amounted to $248,481,121. Of this sum the share of alien carriage was 87.54 per cent, or $217,515,163; and the American share 12.46 per cent, or $30,965,958. If we add the passenger traffic and postal service in foreign steamers, fairly estimated, the amount increases to the towering total of $312,500,000, of which our share was nine per cent. Last year our patronage of foreign fleets must have amounted to $300,000,000. The profits of alien merchants, bankers, and underwriters was probably $200,000,000 more. To these items must be added our country's interest account annually payable abroad. This is set at from sixty to one hundred millions of dollars, and there is also a large tourist account, the two together making, say, $125,000,000, and the whole annual debt or liability to Europe, $625,000,000.

It is therefore apparent that the balance of trade abroad is always adverse. It is simply impossible, with the products of the farm, the forest, and the mine exported, to pay it in the most prosperous year. We have been saved from the exportation of our precious metals year after year by the investments of foreign capitalists in all parts of our country, in all kinds of business and of improvements. When for a time these investments cease, our gold will be called for. At any time it is liable to be demanded, and then, just in proportion to the volume of debt will be the portentousness of the threat to our prosperity.

Now, what is proposed by our financial authorities as a remedy for the trouble which on all sides is acknowledged to exist? Why, to issue bonds! To go further into debt! To tax the people for interest-money in order to buy gold from our debtors to pay them withal! Could the bankers offer more convincing proof of their absolute lack

of knowledge of our industrial situation? Let us suppose that this policy is adopted, and that a sale of $50,000,000 of bonds annually is necessary to provide gold to sustain our monetary system and save our credit as a specie-paying nation. The interest is four per cent. The interest for the first year will be $2,000,000; for the second year, $4,000,000; for the third year, $6,000,000; for the fourth year, $8,000,000; for the fifth year, $10,000,000. In ten years the interest will amount to $20,000,000; in fifteen years, to $30,000,000, by which time, it is to be hoped, our rulers will appreciate the situation.

How much cheaper it would be, and how much more natural, to "rehabilitate our merchant marine," and create our debt and liabilities for freightage, passenger traffic, mercantile profits, insurance returns, and bank dividends at home, where silver dollars, greenbacks, or treasury notes would be received in liquidation. Why not seek in the creation and maintenance of an American marine the remedy for the export of gold? All that is necessary is proper protection. Even should it cost something, we should have our marine in exchange for our money. If we pay out our coin as interest on gold, what shall we have to show for it? Nothing, simply nothing, in the shape of wealth. The nations that have the ships will have the gold besides.

If we create a marine, by the time it is adequate for the needs of our foreign trade we should be able to wipe out half the foreign liability that jeopardizes our prosperity and peace. Our adverse balance of trade being reduced by one, two, or three hundred millions of dollars annually, it is clear that the need for gold for exportation would wholly disappear. It is the need and the expectation for the use of money abroad that makes it necessary now to guard so carefully against a copious silver coinage and the paper issues which represent it. It is this urgent call for money of foreign circulation that restricts our supply of currency and maintains high interest-rates.

The way to maintain the parity of gold and silver is, not to issue national bonds and tax the people for interest on them, but to enlarge our products and exports through the earnings and savings of our mercantile fleets. The shipyard, the machine-shop, the wharf, the warehouse, and the counting-room, the work of our mechanics, our seamen, and our shipowners, the capital of our merchants, our bankers, and our underwriters,—these are the means and the instruments for the preservation of our monetary system, our commercial freedom, and our national independence.

The Chicago *Inter-Ocean* declares that "under the Republican policy the balance of foreign trade was in our favor, and would be to-day were it not for the apprehension of free trade." A narrower party view could scarcely be expressed. Free trade will, of course, increase the adverse balance that has existed for fifty years, alike under Democratic and under Republican rule. Protection is a regulator of trade, and so effective a regulator that it should be applied to navigation as well as manufactures. If Congress will so legislate as to afford protection to the marine in foreign trade, thus making our citizens their own merchants and carriers, as high a degree of commercial safety might result as is secured by the present tariff law. Yet the *Inter-Ocean* asserts that "the only disadvantage to which we are placed is the large balance against us of bonded indebtedness and travel," ignoring completely the detriment and loss occasioned by a vanished marine, a perished shipping interest, dead for want of the protection which the Republican party has given freely to other interests. Theory and practice such as this are unworthy of any party, or of any school of political economy. Any man of observation must see that we should recover into our own hands from $150,000,000 to $250,000,000 of ocean freightage, besides the gains from an increase of commerce, by retaking and holding our rightful place on the sea, and thus regaining and maintaining our proper rank among the nations of the earth.

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