

ance is profitable to the country as a whole.

We are not trying to show, of course, that these debts were in fact paid off with interest by 1886. In fact, they were not paid off then, nor are they paid off yet. What we do show is that they would have been paid off by 1886 if the excessive exports from this country had been applied in any reasonable degree to paying them off. The point we make here is that the excessive American exports are not accounted for by assuming that they have gone to pay off foreign debts and investments. There must be some other explanation. Either that, or there was something in the character of this indebtedness and these investments which creates a continuing and increasing obligation.

V.

The point mentioned above, of which so much has been made, namely, that our export balance is accumulating as a credit abroad — this point is not so impressive as it was when the treasury letter to the Hindu economist went over the wires and appeared with large headlines in the newspapers.

It should, indeed, have been discredited by the long continued high price of sight exchange. When we have a balance abroad subject to draft, the price of exchange runs down, because drafts are plentiful in our market. When drafts are not plentiful, the price of exchange goes up. Now exchange, we repeat, has been almost continuously high, thus indicating that there are no funds in foreign banks awaiting our order. But this suspicious circumstance has been explained on the basis of high interest rates abroad. Lately, however, the excessive use of time drafts has attracted attention. Why should people sell time drafts at a discount when they have balances to draw against? The story was told May 23, by the regular correspondent of the Chicago Tribune, who said, writing from New York:

Important banking interests in this city admitted to-day that the belief which has generally obtained that the United States has at present a great international credit balance—that is,

a great mass of debt owed to this country by Europe—is not well founded. As a matter of fact, the United States is in reality, through the operations of the foreign exchange market, borrowing from Europe, although the debt will be settled later in the season, as our grain and cotton crops, which are still to be harvested, are shipped abroad.

One banker said there had for a long time been a deal of misinformation circulated regarding the so-called international trade balance in favor of the United States.

"Since about April 1," said the banker, "some of the largest banking houses here having dealings with Europe have drawn large amounts of 60 and 90 day bills of exchange, and they are still drawing them. These bills are not drawn against balances abroad, but are in the nature of loan bills. Such bills are regularly drawn every summer, but this year they began to be drawn earlier than usual, about April 1, although usually they do not begin to appear until along in May. If any balances existed abroad the bills drawn would be demand bills of exchange, not long bills.

"In figuring the balance in favor of this country on the basis of the net exports of merchandise over the net imports of merchandise, there has been no taking into account of the large amount of money that rich Americans spend there, the money, of course, being drawn from this country. In this category are such men as William Waldorf Astor and Bradley Martin and such women as Countess de Castellane and the duchess of Marlborough. There is a great number of rich Americans living in London, Paris and Italy, and to them can be added a great many more Americans of less wealth who also live abroad and who spend a large sum in the aggregate.

"If actual figures could be obtained it would be found that a net balance at the present moment does not exist as a banker's balance—that is, an actual cash balance."

Supplementary to the foregoing explanation, from the Chicago Tribune, it is to be observed that British interest rates have fallen. American capital can no longer get high interest abroad, yet the excess of exports exhibits no decline.

VI.

But in that quotation from the Chicago Tribune the real explanation of our monumental export balance is indicated. Astor, Martin, Castellane, Marlborough, Scully and a host of other foreigners, who own American land, draw fabulous incomes from this country. These incomes fig-

ure as exports, and there are no imports to offset them. Scully alone takes away probably \$200,000 a year. Then there are foreigners without number who have invested in American land, either directly or in corporation stock, and are now drawing in rents or dividends every few years an income as much as their original investment. What they draw figures in our exports, but we get no imports in return. It all goes to swell that "favorable balance," about which protectionists boast, and an explanation of which the treasury department has tried to make to Dadabhai Naoroji. And now Mr. Carnegie swells the total of our "favorable balance" by his gifts to Scottish universities. The \$10,000,000 in five per cent. bonds of the steel trust, which he has given to these universities, will add to our excessive exports the neat sum of \$500,000 annually, and the full \$10,000,000 when the bonds are finally paid; for not one dollar of which will any imports come over to curse us with excessive wealth.

If Mr. Naoroji pursues his inquiries, he will find that the true explanation of our export balance is essentially the same as that of the export balance of India. We, like the Hindus, pay tribute to foreign owners.

NEWS

The unfavorable news for the Boers that we reported last week is altered this week by an official report from Lord Kitchener of a British defeat. It has again impressed England with the conviction that the war in which the British were supposed to have triumphed months ago is still in ugly shape. Lord Kitchener's dispatch was received in London on the 16th. It told of a surprise on the 12th, near Welmanrust, 20 miles south of Middleburg, a railroad town east of Pretoria. The enemy crept up to within short range, says Kitchener's dispatch—

and poured a deadly fire into the camp, killing two officers and 16 men, and wounding four officers and 33 men, of whom 28 were slightly wounded. Only two officers and 50 men escaped to Gen. Beaton's camp. The remainder were taken prisoners, their arms taken from them, and released.

The number of British who were thus

surprised, and of whom only 52 escaped, is given in the dispatch as 250.

This British disaster was hardly offset by a victory reported on the 15th over DeWet in the Orange Free State. It occurred on the 6th, and is reported by Kitchener as follows:

After severe fighting captured a convoy of 71 loaded wagons, 45 prisoners, 58 rifles, 10,000 rounds of ammunition and 4,000 cattle. The Boers left 17 killed and three wounded on the field. Our casualties were three officers and 17 men killed, and one officer and 24 men wounded.

The Weyler reconcentrado tactics appear to be in full operation under the British military regime. Replying to questions in the British house of commons on the 17th, the secretary for war acknowledged that there are 40,229 persons in the reconcentrado camps. The deaths among them for the month of May amounted to 98 men and women and 318 children.

In connection with the Boer war a report regarding British war revenues has just come out in London which is not relished by the large uitlander interests of the Transvaal, to the greed of which the war is attributable, although it seems to be quite considerate of them. Sir David Barbour makes the report. He had been sent by the chancellor of the exchequer to South Africa to investigate the sources of revenue of the Transvaal and the Orange Free State, with the view of estimating how much they should contribute toward the cost of the war; and he reports that while the Orange Free State will be unable for some years to meet the ordinary cost of administration, the Transvaal will soon be able to make contributions out of its ordinary revenues. He recommends a ten per cent. tax on the net profits of the gold mines. This, he estimates, would leave the mine operators better off than before, as they will save, through the abolition of the dynamite monopoly which the Boers maintained, more than the increased tax.

From the Philippines, the principal news of the week relates to the surrender of Gen. Cailles, the arrangements for which were noted in our last issue. According to the dispatches, two representatives of the Filipino general signed at Manila on the 16th an agreement of surrender in his name. The terms are not re-

ported in any particular except that Gen. Cailles is to assemble his men at Santa Cruz, Laguna province, Luzon, as early as possible, and there deliver himself and his command to the Americans.

Supreme court judges of the Philippines have been appointed by the American Philippine commission at Manila. The chief justice is Cayetano Arellano. Two of his associates are Filipinos and four are Americans. The attorney general is an American. Besides the supreme court judges, appointments were made of 17 judges of as many courts of first instance. Eleven of these judges are Americans. All the appointees were sworn into office on the 17th, the usual pledge to support the constitution of the United States being omitted from the official oath. Steps were taken to secure the adoption of the English language by the courts, but it was arranged that Spanish should be used for five years.

American troubles with Venezuela are again brought to the surface by a substitution of American ministers to that country. The disturbed relations between the United States and Venezuela were described in these columns last winter (vol. iii., p. 682), and commented upon editorially at a later date (vol. iii., p. 705), since which time no reference has been made to the subject, because the press has published little about it but conflicting statements and irresponsible gossip. The troubles grow out of a quarrel between two American business concerns having hostile concessions to certain rich asphalt deposits at Lake Felicidad, in Venezuela. Prior to the triumph of the present revolutionary government in Venezuela, under President Castro, one of these companies, the New York and Bermudeze company of New York city, known commonly as the "Barber syndicate," obtained government grants to the asphalt deposits. But when Castro had deposed the government that preceded him, his government cancelled these grants and issued new ones to the rival concern, Messrs. Warner & Quinlan, of Syracuse, N. Y., commonly known as the "Warner syndicate." The "Barber syndicate" thereupon armed its employes, announced its determination to resist the Venezuelan government, and appealed to the American diplomatic representatives for protection.

Such, at least, is the substance of the story as it is spelled out from the newspaper reports. The appeal to the American authorities soon produced diplomatic complications, the nature of which is not very clearly revealed, and, on the 30th of March, Secretary Hay cabled to the American minister to Venezuela, Francis B. Loomis, to return. Loomis sailed on the 5th of April. At one of the ports on the way he stated that the internal disturbances in Venezuela had ceased, that Castro is in control, and that the asphalt controversy had gone into the Venezuelan courts. Some weeks after his arrival home, and on the 17th of the present month, Mr. Loomis was transferred to Portugal, in the place of John N. Irwin, resigned, and Herbert W. Bowen was transferred from Persia to succeed Mr. Loomis in Venezuela. The real reason for the recall and subsequent transfer of Mr. Loomis appears now to be that the Venezuelan government raised objections to his continuing to represent the United States in that country. The objections were based upon his alleged partisanship for the "Barber syndicate" in the asphalt controversy.

Further important details of railroad consolidation in the United States (vol. iii., p. 634) were published on the 17th by the Chicago Tribune. The consolidation comprises, according to the Tribune's estimate, the following roads and mileage:

Atchison, Topeka & Santa Fe....	6,946
Southern Pacific.....	7,614
Union Pacific	4,439
Northern Pacific	4,524
Chicago, Milwaukee & St. Paul....	6,191
Chicago & Northwestern	5,077
Chicago, Burlington & Quincy.....	7,180
Missouri Pacific	5,324
Great Northern	5,127
Chicago & Alton	844
Wabash	2,326
Total mileage	55,592

It is asserted now, says the Tribune report, that all the roads west, northwest and southwest from Chicago to the Pacific coast will be controlled in future by the following interests:

- Lines west of Chicago to the Pacific coast by Harriman, Kuhn, Loeb & Co., and the Rockefeller.
- Lines northwest from Chicago by Hill and Morgan.
- Lines southwest from St. Louis by Gould and the Rockefeller.
- Lines southwest from Chicago by the Atchison, Topeka & Santa Fe, to which probably will be added before