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EDITORIAL

Our Foreign Trade Balances.

If a tenant farmer were to brag about his crops, of how they had increased year by year, and of how he prospered by the expanding difference between the value of what he had been taking over to town and the cost of the store goods he took back, calling this balance "favorable" and profitable, wouldn't some mere theorist or other on the store stoop be tempted to heckle? No doubt of it. He might ask the tenant farmer what he had done with that "favorable balance," and get for answer that he had left it in the hands of the storekeeper. Then the theorist might ask why he doesn't draw on the storekeeper for enough of the balance to buy his farm of the storekeeper and stop paying rent; and be answered to the effect that his growing rent had compelled him to draw the whole of his expanding balance every year. If the tenant farmer went on bragging about his "favorable balance" after that, wouldn't the "bunch" on the store stoop laugh at him for a fool? And wouldn't they be right?

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Now that is precisely the kind of bragging the statistical bureaus of the United States have been doing these many years. They are doing it now. Through the newspapers they predict a "favorable balance" this year to the amount of \$800,000,000, and they proclaim this as evidence of increasing prosperity among producers in the

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United States. In fact, however, it is evidence of increasing tribute—tribute in the nature of ground rent, which the industries of the United States are paying to European investors for permission to use the American continent.

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Think it over. Admit that our "favorable balance" this year will indeed turn out to be \$800,000,000, and what would it mean? On its face, it would mean that producers working in the United States had sent abroad \$800,000,000 of goods in excess of what had been brought over here in exchange from abroad. This is the "favorable balance." Why? Because those producers have the right to draw against that balance. Then why don't they do it? For the same reason that the tenant farmer didn't. The "favorable balance" is already used up in paying tribute in the form of ground rents, mineral-deposit royalties, railroad ground-rents, etc. Our producers get back none of this \$800,000,000 balance, because it is absorbed in profits upon European investments in American monopolies.

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An untold amount in addition is absorbed as profits on American investments in those same monopolies; but this doesn't count as a "favorable balance" with the statistical sinners, because it "stays at home." Yet it is the same thing to the plundered producers—an outgo with no corresponding income.

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"Ah, but," some one explains as to the foreign balance, "it comes back in gold." No, it doesn't; nor in silver, either. If it did, the "favorable balance" would be smaller to the extent of the gold or the silver payments; but if you compare the imports with the exports of gold and silver, you will find the "favorable balance" larger instead of smaller. "What about American expenditures abroad, then, and freightage charges by foreign bottoms," etc., etc.? They would make some reduction it is true, but not much—possibly 200 or 300 millions; and this would still leave tribute to the amount of \$500,000,000 for the year. It is the American land-bottoms rather than foreign ship-bottoms that account for the balance. Have we overlooked the item of original investments? Not at all. They have been wiped out by "favorable balances." The "favorable balance" runs up into the hundreds upon hundreds of millions, over a period of 75 years; and in very few if any of those years has the balance been the other way,

and then only slightly. The "favorable balance" has been so great all along, that it leaves little sign of any substantial investments having been made at any time. Most of the "favorable balance" is payment for "dead dog." But isn't there another explanation? Isn't the amount of the balance padded by protected manufacturers who ship goods to Europe at home prices nominally, but at enormous discounts actually? Doubtless. But if your statistical sinners fall back upon that explanation, what becomes of their "favorable balance"? They would be like the tenant farmer if he had lied about the magnitude of his boasted shipments to town. Their balance, whether called "favorable" or not, would then be nothing but "hot air."

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So all this bragging about our permanent and growing "favorable balance" of exports over imports, is either a collection of false or padded figures, or a record of tribute to foreign investors who never invested much in what they are now profiting by. Perhaps we can't help it; possibly we ought not to try, nor to wish to. But why brag about a lost pocketbook as if it were a wind-fall? Why exploit a repayment that cancels no debt but flows on like Tennyson's brook forever, gathering volume as it flows? Why boast of a loss as if it were a profit? Let us be cheerful, of course, but why be jubilant?

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Reciprocity with Canada.

Regarding President Taft's reciprocity agreement with Canada, Senator Cummins took significant ground in his speech before the Grant Club at Des Moines a few days before the assembling of Congress in special session. Declaring himself in favor of reciprocity with Canada, he criticised the Taft agreement for its lopsidedness, and his criticisms were on solid ground. He went beyond criticism, however, promising that he will "insist that the American farmer be given the benefit of free trade with Canada in the chief things that he must buy, at the same time and in the same instrument that imposes upon him free trade in the things he produces for sale." In that promise Senator Cummins is also on solid ground—but only in part. He is on solid ground in demanding free trade with Canada in the chief things American farmers must buy. His ground would have been more solid had he said "all things" instead of "chief things," and still more solid had he explained to the farmers—those that "farm farms" as distinguished from those that "farm farmers"—that the