The Nation.

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The Week.

In the act of voting almost unanimously on Thursday for a Nicaraguan canal, the House made it altogether likely that the canal may really be constructed at Panama. All that was really signified by the passage of the bill was an overwhelming desire that an Isthmian canal be dug somewhere or other, and a renewed confession by the Representatives that they are not able or willing to legislate seriously, and that they prefer to leave everything to the Senate. In casting 102 votes, as against 170, for an amendment favoring the Panama route, the House gave the plainest kind of hint to Senators to go ahead and buy out the Panama Company, in the perfect assurance that the unterrified Hepburn and all the rest would meekly acquiesce. Indeed, Hepburn himself could advance no stronger argument for his bill than that the action of the House upon it could easily be reversed if the all-wise Senate so asked. The whole exhibition on the part of the House was melancholy, and even shocking. Openly to shirk responsibility, to rush like sheep to pass a bill which every man who voted for it must have known to be improperly drawn and to have no chance of becoming law, and without a blush of shame to call upon the Senate to do the work of the House—how could a great assembly stand more palpably self-condemned? Several Representatives, we are glad to say, were conscious of the humiliation involved in such shiftless legislation, and openly protested against the leadership which had brought the House to so insignificant a pass.

As for the terms of the Nicaragua bill itself, the admission of slovenliness could no further go. The bill is precisely the same (except for changing an 8 to a 4), down to the smallest word, as that passed by the House last May. All that has happened since then is completely ignored by the high and mighty Hepburn. The report of our own Canal Commissioners, to secure which Congress voted $1,000,000, simply does not exist for him. Take one item. The expert Canal Commissioners estimated the cost of a Nicaraguan canal, exclusive of the sum required for the right of way, at $189,000,000. The Hepburn bill provides that the total cost, right of way and all, shall not "exceed in the aggregate $180,000,000." He has thus quietly raised his estimate of last May by $40,000,000, but still professes to know more about it than any mere engineer who has studied the problem on the spot.

The speech made by Mr. Hepburn on January 7 on his Nicaraguan Canal Bill was disreputable in more than one particular. It contained the immoral suggestion that the canal, when built, should be free of tolls to American ships, meaning that there should be discrimination against foreign ships. This is in the teeth of the Hay-Pauncefote treaty, upon which the ink is scarcely dry, which declares that there shall be no discrimination whatever in the use of the canal for or against the ships of any nation. When Mr. Hepburn was pressed for an explanation of his words on this point, he said he hoped that Great Britain would give consent to discrimination in favor of our ships, although he must have known that the whole aim of British diplomacy (and of our own, too), until this time, has been diametrically opposed to discrimination in tolls. Mr. Hepburn said that our war-ships would go through free of toll anyway—a statement that can be true only in the sense that, as we are to build and own the canal, the tolls will be taken out of one pocket and put into the other. Under the treaty there is no more chance of discrimination in tolls on war-ships than on merchant ships.

It is disreputable in another sense that Mr. Hepburn seems not to have read the report of our Isthmian Canal Commission. In a colloquy with Mr. Reeves of Illinois he said that, inasmuch as the Panama Company had no right to sell out to the United States without the consent of the Colombian Government, it had forfeited its concession; and Mr. Reeves apparently assented to that view. Yet on pages 219 and 220 of the Commission's report there is a letter from Admiral Walker to M. Hutin acknowledging receipt of certain correspondence between the latter and Señor Silva, the Colombian Minister at Washington, showing that the Colombian Government had authorized him (Hutin) to enter into negotiations with the purpose of selling the Panama Canal to the Government of the United States. This statement, which was published in the newspapers months ago, cannot be questioned or ignored without disputing either the genuineness of the letters or the authority of the Colombian Minister to commit his Government. As no such question was raised by Mr. Hepburn, the natural inference is that he has not read the report of the Commission. It seems, however, that one Congressman who took part in the debate, Mr. Mann of Illinois, had actually familiarized himself with the contents of the report, for he said that he did not agree with Mr. Hepburn that the Panama Company had forfeited its rights by offering to sell its concession to the United States. Mr. Mann also, while favoring Mr. Hepburn's bill, dashed the hopes of the latter in reference to discrimination in tolls, by pointing to the clause in the new treaty which forbids it—a very simple but very necessary reminder to the Chairman of the House committee having charge of this important matter.

The new Ship-Subsidy Bill which has been introduced by Senator Frye, is made up of two entirely distinct parts, the first relating to mail subsidy, and the second to general subsidy. These not only are kept entirely distinct in the provisions of the act, but rest on entirely different principles. The mail subsidy, if justifiable, can be given only on the basis of value received by the Government in the carrying of the mails. If the Government does not receive value for what it pays, the system has no justification, and the payment must be regarded as a mere bonus. It is not difficult in this case to pass on the question of value received. The present bill, so far as it relates to mail subsidies, merely amends the Postal Subsidy Act of 1891 by increasing the compensation to vessels and altering their classification. The Act of 1891 was preëminently in the interest of the American Line, and the amendment now before Congress, by means of that concealment of special gifts under technical provisions which was such a feature of the former subsidy bill, is still more directly a gift to that line. The limit of the tonnage of the vessels of the first class which are to receive the highest subsidy, has been apparently so fixed as to exclude every American vessel afloat except the four ships of the American Line. During the last fiscal year of the Post-Office Department, the American Line carried about 71,000,000 grams of letters and 641,000,000 grams of printed matter, for which the Government, under the Act of 1891, paid it $528,536. During the same year the Cunard Line carried almost twice this weight of letters (137,000,000 grams) and 835,000,000 grams of printed matter, but received for the service only $213,103; and the White Star Line, which carried about 62,000,000 grams of letters and 326,000,000 grams of printed matter, received but $91,591. That is, the Government is now paying to the American Line for an irregular service a rate about three times higher than it pays for service by other lines carrying the same mails, and this on a theory of "value received."

Congressman McCall has introduced a bill to restore the provisions of the McKinley tariff relating to personal bag-

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gage, and to remove the $100 limit. We do not see any sound objection to such a return to a civilized method of treating Americans coming home from Europe. It would cease to make our customs laws a laughing-stock to foreigners, and a source of humiliation and often actual danger to our own citizens so unfortunate as to desire, or to be compelled, to travel abroad. We know it is said that the present barbarous law is necessary in order to head off the operations of swindling tailors and smuggling milliners, who would otherwise bring in dozens of trunks full of garments for their customers, under the guise of "personal baggage." To all such cheating we are, of course, as much opposed as any one, but there is reason in all things. What is the secret service for, why do special agents of the Treasury exist, except to unearth and run down such frauds on the revenue? We read all the while of the arrest of diamond-smugglers, and we are sure that the suave milliners and the slippery tailors could be caught in the same way. Why should a whole nation be forced to suffer for their sins? We have no objection whatever to seeing Paris-made gowns and London-made suits dragged from the trunks of smugglers and made to pay the duty which the law provides; but why force 200,000 American travellers to suffer in purse, in feelings, often in health, and always in patriotic pride, merely in order to catch a few tricky milliners and defrauding tailors?

The President's readiness to hear the appeal of Rear-Admiral Schley from the findings of the Court of Inquiry should reassure people who have believed in the existence of a gigantic conspiracy against this officer. In ordinary court-martial cases, in both the army and the navy, where the sentence does not involve dismissal from the service, the President is not expected to pass upon the findings, although he has the right to do so. The same is true as to courts of inquiry. In both cases, however, the etiquette and discipline of the service demand that the papers shall come up to the Commander-in-Chief through the regular official channels—in this case through the Secretary of the Navy. The President's action in the matter is final. Only in rare instances has Congress set aside the action of a court-martial which has received Executive approval, by restoring a dismissed officer to active service. President Roosevelt's action will, it is to be hoped, finally end the matter, and will prevent the Schley adherents from claiming that any tribunal has been closed to them. There is no reason to believe, however, that the President will reverse the findings of the entire court in regard to Schley's negligence, disobedience of orders, and evident incapacity for his high position, while there is good ground for accepting the press statements that he will veto any bill to exonerate or promote a man who has been so overwhelmingly condemned by three of his fellow flag-officers.

Close upon the warning of the London *Times* concerning the probable inadequacy of our bank currency at a future period of stringency, comes the news from the Treasury that the volume of notes outstanding is decreasing as rapidly as the law will permit. The maximum rate of decrease now allowed by the National Bank Act is $3,000,000 per month, and this limit has been reached for December and January, while further applications for more than another month in advance have been filed. At this rate, a large part of the increase in bank circulation under the law of March 14, 1900, will have been offset by corresponding withdrawals before the end of next September. The usual autumnal demand for currency with which to move the crops will then be felt in its full strength, just as the circulation has lost much of its recent gain in volume. This situation is far more serious than appears on the surface. Large numbers of new banks have been organized under the law of 1900, and, should the circulation fall to its old level, the decline will mean that the conditions of note-issue are even less attractive to-day than they were under the unmodified bank act. A strong demand by the lately organized banks for the recently issued bonds, in order to make their necessary deposit, and the present strength of the Treasury, are undoubtedly responsible for the unexpectedly high price of the 2 per cent. bonds, and the consequent unwillingness of banks to invest more largely in Government securities than they are compelled to do. This is merely a repetition of the too familiar experience with our bank currency. When stringency arrives, and the delays at Washington make it impossible to get notes in time to give relief, we shall probably awaken from our satisfaction with present currency conditions. Why not act now upon some one of the plans so often suggested to Congress, before the difficulty becomes acute?

The prevention by arbitration of two threatened strikes indicates that the year is opening with omens favorable to industrial peace. Strikes averted by arbitration naturally make less noise than those which actually occur, but it was none the less a real service that was rendered by the Arbitration Committee of the National Civic Federation in composing the differences between the Clothing Manufacturers' Association and its employees. Had it not been for the work of a sub-committee which met representatives both of the employers and of the men, a strike involving from 40,000 to 55,000 garment-workers would probably have ensued. On a smaller scale, but quite as interesting, is the outcome of the dispute between a Brooklyn shoe-manufacturing firm and its employees. Mr. Stark, State Mediator of Industrial Disputes, who was lately chosen as the fifth member of a committee intrusted with the decision of the question at issue, has given his verdict in favor of the employers. While the Civic Federation Committee has had to depend solely upon its own tact, and the sense of fairness among those to whom it appealed, the decision of Mr. Stark is supported by a forfeit of $10,000, agreed upon by both parties to the dispute in the Brooklyn shoe factory. The difference in the character of the two decisions is, perhaps, due to these differing conditions of arbitration. The Civic Federation Committee made concessions to both disputants. Mr. Stark gave his verdict unequivocally for the employer. A definite decision is much more likely to be rendered when the judge feels that he has final power in his own hands than when he must negotiate in order to secure its acceptance.

The most important question in the railway world to-day is the one on which Mr. James J. Hill addressed a convention of farmers and stock-growers at Fargo, N. D., on Friday. His speech was a defence of the combination recently formed for merging the Great Northern, the Northern Pacific, and the Burlington systems into one corporation, the Northern Securities Company. It was a very strong argument, if not wholly conclusive, and had a considerable effect upon an audience whose prejudices ran pretty strongly the other way. Mr. Hill asked the question whether the people of Minnesota and the Dakotas would have objected to the building of the Burlington lines by the Great Northern and the Northern Pacific Companies, if the Burlington Company itself had never existed, and if its territory were unoccupied. If not, then why should they object to the purchase of those lines when already built? A critic might answer that the first question at issue relates to the merger of the two Northern lines, before the Burlington comes into the field of contention at all, and that the second question relates to the amount of securities issued for the Burlington, which are virtually a fixed charge upon the whole combination. As these questions are soon to come before the courts, we shall not discuss them, but merely point them out as elements of the problem. It is quite true that the Northern Securities Company is not the first of its kind in the United States. The Pennsylvania Company, which was formed to bring and hold together the Pennsylvania Railroad and its Western connections, has existed for a quarter of a century without adverse comment, and it is reported now that it has embraced the

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Baltimore and Ohio within its ample folds.

Mr. Belmont's failure to carry the election in the Seventh District, and, incidentally, to supply the Democracy with the intellectual and moral leadership which it sorely needs, irresistibly recalls that magnificent tribute of the negro orator to the retiring Governor of South Carolina, in the old carpet-bag days. "He reached the Governor's chair," said the eloquent toastmaster, "in the face of great opposition; he leaves it with none at all." So of Mr. Belmont it may be said that his nomination was one of the most bitterly contested ever known, but that his defeat has been received with universal acquiescence and even cheerfulness. His campaign was one long series of unfortunate misunderstandings. The candidate misunderstood Croker, and Croker misunderstood him; he failed to develop elective affinities with Murphy, and could not, do what he would, put himself *en rapport* with Battery Dan Finn. The crowning misunderstanding was with the voters of the district, and this was so colossal that it turned Muller's Democratic majority of 4,332 in 1900 into a plurality against Belmont of 394. There must be a moral of some kind in such figures, and, for our part, we think it is an artistic one. It will be observed that Mr. Belmont was slaughtered in the house of his friend, the art connoisseur, the Hon. "Nick" Muller. Richmond County alone made an overturn of more than 2,300 votes. This, in our judgment, was due to the low views of art that Mr. Belmont stood for in the eyes of the Staten Island voters. He thought he could palm off upon them a rubbishy painting, given to Muller purely in the way of friendship, worth only $200, and the work of an artist so insignificant that he could not even recall his name. If it had been a Corot or a Diaz, the result, we are firmly convinced, would have been different. It is necessary to raise art, hand in hand with politics, to a "higher plane."

The annual banquet of the Institute of Electrical Engineers on Monday evening was a testimonial of the profession to Signor Marconi. It expressed their appreciation of his wonderful achievements in sending electrical signals across the Atlantic Ocean by the wireless system. Hitherto there has been doubt in the public mind whether this achievement was well authenticated or not, since the experimenter himself had not published any statement of the facts signed with his own name. His speech in the presence of such men as Alexander Graham Bell, Elihu Thompson, and Professor Pupin, and the approving letters of Mr. Edison and Mr. Tesla, will convince everybody that the reports sent out from St. Johns, a few weeks ago, were true. But this is not all. The public are now prepared to accept more than has heretofore been claimed by the inventor. He now says that he has devised a method by which the messages sent by the wireless system can be kept secret. This is accomplished by attuning the sender and the receiver so that the latter will respond only to a particular note. This is not a new conception. It was brought out and exhibited by Elisha Gray by wire transmission in 1876. Of course, nobody then suspected that the same effects could be produced by aerial transmission. The commercial consequences of Signor Marconi's discoveries cannot now be estimated, but they are likely to be of the highest importance.

There is every reason to anticipate that the Government of Newfoundland will oppose the renewal of the *modus vivendi* concerning the French shore. The renewal of this temporary arrangement for the year 1901 was regarded as a great concession to the home Government, and was made only in consideration of the difficulties of the general foreign situation which confronted the Salisbury Ministry. It is doubtful if the Provincial Government will listen again to such an appeal. It is hard to see how Mr. Chamberlain can refuse to move in this matter. As things now stand, the Newfoundlanders have the grievance of being shut off from about 800 miles of their own coast, and suffer the humiliation of seeing what is virtually foreign sovereignty exercised in various exasperating forms on their own territory. It has been interestingly shown by Mr. P. T. McGrath in the *North American Review* for January that the French claim of an exclusive concession on the west coast exceeds the stipulations of the treaty of Utrecht; that the right to fish and use the coast for purposes incidental to the fisheries is concurrent, and not exclusive; and that America, by the convention of 1818, acquired equal rights on this coast with France and Newfoundland.

The probably unique spectacle of a Prime Minister publicly rebuking a Minister of a friendly Power was witnessed on January 8 in the Reichstag. To be sure, Count von Bülow, when he spoke of unfriendly criticism of the German army, did not mention Mr. Joseph Chamberlain. It was clear enough, however, that, when he dwelt on the impropriety of justifying an unpopular policy by adducing foreign examples, he had in mind the speech in which Mr. Chamberlain paralleled the British policy in South Africa with the German campaign against the *francs-tireurs* in 1871. These pot-and-kettle comparisons, the German Premier felt, were peculiarly odious when made between nations which have had guerrilla wars on their hands. Now it should be said that in this very courteous rebuke Count von Bülow was far from following his own counsel of "leaving foreign countries out of the discussion"; for a rebuke, it was quite as explicit as if Mr. Chamberlain had stood in sackcloth and ashes before the Reichstag. From this introduction into German parliamentary procedure of the methods of debate most thoroughly exemplified in our own Senate, Lord Rosebery should draw a text for his next academic discourse "On a Certain Acerbity in the Colonial Secretary."

Whatever may be the effect of the spectacular return of the Imperial Court to Peking, there is little doubt that that city will remember the autumn of 1900 as the Romans still remember the spring of 1527, when the troops of the Constable Bourbon sacked the town. That the effect of the foreign occupation and of the numerous punitive expeditions was exemplary, even upon the populace of Peking, should not be assumed too lightly. The Chinese of Pechili have certainly learned to fear the foreigner, but it is by no means certain that they are not waiting their chance for revenge. One must remember, too, that the great mass of the subjects of the Emperor will never so much as learn of the humiliation of the court, of the ceremonious apologies, and of the heads of Ministers offered to the envoys of the Powers—or, if they learn of these at all, will hear some official version which bears the color of a triumph over the "foreign devil." We are likely to forget how insignificant a fact the sacking of the Imperial City is to the other provinces of China. We Americans probably feel quite as keenly the almost forgotten burning of Washington in the war of 1812. One must recognize, then, that if there has come about any real reform in Chinese conditions, it has not been through any change in the attitude of the people toward the foreigner, but through some change in the character of the court and of the viceroys. We know that for the moment the court has been reorganized upon the basis of friendliness to the foreigner. What we do not know is how sincere this attitude is, and it is certain that no more in China than elsewhere is it grateful to kiss the hand that smites. If the Empress Dowager and the Emperor really fear the foreigner, we may suppose that they will put down relentlessly the anti-foreign societies which, as things go in China, will always be a possible cause of disturbance. But it is quite as likely that the court feels that the return is virtually a triumph; that the sojourn at Singan, the ancient capital, proved that the Powers, Russia excepted, can do no more than touch the empire at its borders. It should be remembered, too, that the court returns in its own time, and, on the whole, upon its own terms.

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THE TREASURY SURPLUS.

The menace to business interests consequent upon the withdrawal of money from the banks into the Treasury, in excess of the Government's disbursements, has been the subject of standing comment in the newspapers for a generation, and at times of angry criticism and objurgation against the statesmen at the head of the Treasury Department. Various plans have been devised for securing the automatic, or at least the regular, return of the surplus funds of the Government to business channels. A bill to accomplish this end, which was introduced in the House last week by Congressman Sulzer of New York, merits attention. According to our recollection, this plan was first suggested by Secretary Gage in a public address, but he has never seen fit to embody it in an official report as a formal recommendation to Congress. He may have apprehended the censure of the smaller banks of the country if he should suggest any plan that would omit them from the list of depositories of the public funds, whereas Congressman Sulzer is exposed to no such animadversion. We understand that the essential features of this measure will be embodied in a more comprehensive measure, to be adopted by the House Committee on Banking and Currency, and to be reported for consideration during the present session. Accordingly, we shall offer some reasons why the principles embodied in it should be favorably received by Congress.

The measure proposes that the Secretary of the Treasury be directed to deposit all surplus funds belonging to the United States Government with national banks having a capital of not less than $500,000 and a surplus of not less than $500,000—such deposits to be made without requiring United States Government bonds as security; that on such deposits the United States Treasury shall receive interest at the rate of 2 per cent. per annum; that such deposits shall be a first lien on the assets of the bank; and that no deposits in any one bank shall be greater than the combined capital and surplus of such bank. The plan as originally suggested by Secretary Gage provided that the deposits should be made in the banks of the central reserve cities, New York, Chicago, and St. Louis. This restriction would spare the Treasury some trouble in the handling of the funds, but it would probably be impracticable to secure the adoption by Congress of any plan which should draw a line against such cities as Boston, Philadelphia, Baltimore, and New Orleans, and exclude their banks from participation in the deposits.

The present methods of restoring the surplus funds of the Treasury to the money market depend upon the abundance of Government bonds in the market and the price at which they can be bought. If the Secretary decides to use his surplus in buying the bonds outright, he lessens the total amount outstanding, and increases the difficulty of his next operation. If he decides to deposit his surplus in national banks, he must have Government bonds as security therefor. This is a requirement of law, and he has no discretion to take anything else. The law was passed nearly forty years ago, when the supply of Government bonds was abundant and increasing and the price was correspondingly low. Opposite conditions prevail at present. The bonds are scarce, the price is high, the demand for private and trust investment is increasing as the supply diminishes.

The proposed measure would look to a first lien on assets of the banks for security of the deposits, and, instead of exacting Government bonds as a pledge, would require the payment of interest for the money deposited. A calculation has been made by the statistical department of the Treasury, showing that, if the law regulating Government deposits in the banks had been such originally, not only would there have been no loss, but there would have been a gain of $32,000,000 in the way of interest. This ought to be a decisive argument in favor of the change. It may be argued that it would be unfair to the regular customers of the banks to give to one depositor (the Government) a superior lien on the assets in case of failure. That feature, however, exists in the present law. The deposited bonds are a part of the assets of the depository banks. They are the choicest assets, and upon these the Government has the first lien. If they should decline in value, there is another provision of law which gives the Government a first lien on the remaining assets.

The practical question is not whether the security of the proposed plan is exactly equal to that of the existing system, but whether it is sufficient to protect the Treasury. We think there can be no doubt on this point. By restricting the deposits to banks which have capital and surplus equal to $1,000,000, by limiting the amount of deposits in any particular bank to the measure of such capital and surplus, and by leaving to the Secretary a discretion in the choice of the depositories, so that he may exclude any bank which rests under his suspicion, it really seems as though any doubt were mere cavilling, especially when we consider that the Governments of the Old World deposit all their collections in banks without any special security whatever.

A SECRETARY OF COMMERCE.

The presumption is always against the establishment of a new office. It must prove its right to exist. To this rule of sound politics the proposal of an additional branch of executive government, to be known as the Department of Commerce, is no exception. The country should not demand or approve it, nor should Congress vote it, if it is intended simply to provide a parcel of unoccupied patriots with pleasant sinecures. It is doomed in advance if it contemplates merely the erection of what Burke's sarcasm, directed against the reconstructed Board of Trade, described as "a sort of gently ripening hot-house, where eight members of Parliament receive salaries of a thousand a year, in order to mature at a proper occasion to a claim for two thousand."

President Roosevelt urged in his message the creation of a Secretary of Commerce. His recommendation has received the endorsement of many merchants and manufacturers, and on Thursday the bill introduced by Senator Nelson to establish the new department was favorably reported by the Committee on Commerce. It provides that "it shall be the province and duty of said department to foster, promote, and develop the foreign and domestic commerce, the mining, manufacturing, shipping, and fishery industries, the labor interests, and the transportation facilities of the United States." Here is certainly a vast field of activity. The President's language was even broader; the new department, he declared, should be but one phase of "a comprehensive and far-reaching scheme of constructive statesmanship, for the purpose of broadening our markets, securing our business interests on a safe basis, and making firm our new position in the international industrial world." In a recent article, Mr. A. B. Hepburn urges that "the time has arrived when Congress should broaden its policy, and aid our people in commanding the markets of the world." "How better can this be done," he asks, "than by creating a Department of Commerce and Industries, charged with the supervision and promotion of commerce and trade?"

It is not easy to see precisely how a Secretary of Commerce could succeed in conquering the markets of the world when confronted by a Congress which resolutely refuses to make the slightest concessions to foreign countries. Neither is it possible that, under our system of government, he should ever possess the powers of the "foreign section" of the Ministries of Commerce in Continental countries, which is charged with the preparation of tariffs and customs legislation, the enforcement of maximum or minimum rates, and the negotiation of treaties of commerce and navigation. It is, however, entirely possible that a Department of Commerce should wield an enormous influence in domestic industry. The present drift of public opinion suggests that it might be made the agency for exerting the authority to regulate interstate commerce. It is easy to conceive of a Secretary who should have

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