

THE TRADE OPPORTUNITY OF THE UNITED STATES

By A. Barton Hepburn



IF one keeps and trains a bulldog, he will very likely, at some time, break leash and exercise the functions for which he was bred and trained and fasten his teeth in some tempting or provoking flesh, be the same brute or human. The dogs of war, petted, pampered, nourished on the fat of the land, with ever-growing numbers, with ever-increasing armaments, the pride, the pomp of nations, have slipped their leashes and engulfed Europe in a most cruel and destructive war. No human right is clamoring for vindication, no principle inuring to the benefit of humanity is to be established by the conflict, but rather the ignoble ambitions that characterized mediæval times are the impelling cause.

Five of the great civilized countries of Europe are thus involved, and straining every resource—physical, mental, material—in destroying property and sacrificing life. The moralist may easily speculate upon the retrogression in civic morals, public and private virtue, and Christian character which is likely to result, but I am asked to discuss the material aspects: How will it affect trade and commerce in the United States and the people who are striving now, as ever, for the three great desiderata—food, clothing, shelter?

The exports of Germany last year totalled over \$2,000,000,000, and the exports of Austria-Hungary amounted to over \$500,000,000. Only to a limited extent do these countries export raw material; they are large importers of raw material, and having greatly enhanced its value by transforming crude into finished product, they create a favorable international balance of trade and build up their wealth by selling the same in the marts of the world.

The greatly superior English and French navies, while protecting their own commerce, have practically driven German and Austrian commerce from the high

seas. The outside world, at least all over-seas countries, will lose these nations as purchasers and be freed from their competition in all over-seas markets. It is not a question of grabbing their trade—their trade is gone—but of supplying the wants of the world heretofore supplied by them. Who shall take their place? England to some extent may gain this trade, but with every energy devoted to the war, with her factories crippled by the loss of men called to the colors, her position is not an advantageous one; France, the theatre of war, is less favorably situated than England; the extent to which Russia can supplant German and Austrian trade is negligible; Italy, so far neutral, can compete for this trade, Spain to a lesser extent; and Japan will make a great effort to grasp and retain their Oriental trade.

From its ocean-wide distance from the theatre of war, from its production of the fundamental staples that enter into almost all kinds of commercial products, from the perfection of its manufacturing machinery, from the enterprise of its citizens, the United States is ideally situated to take advantage of the opportunity and gain not only German and Austrian, but French and English trade as well, since war must curtail their foreign exports. In order to avail of the opportunity we need capital and we need ships. At one time 90 per cent of our foreign commerce was carried in our own bottoms, under our own flag; now only about 9 per cent is so carried. The change from wooden vessels to steel, and from canvas to steam as motive power, is largely responsible for the loss in tonnage. Our forests lost their relative importance in ship-building, and England's coal and highly developed iron industry made her the great ship-building centre. Why did not Americans buy ships abroad and continue the shipping industry? Prohibition is the limit of protection, and for more than a century American registry has been denied to foreign-

built vessels. Manifestly this is an instance where protection has failed to maintain or develop an industry. The fact that Americans could make more money on land also served to keep them off the sea. By compelling Americans to buy home-made vessels they were compelled permanently to capitalize their fleet thirty to forty per cent more than their foreign competitors. This, of course, kept them off the seas, and as a result we have not sufficient merchant marine to act as tenders to our navy in case of war; as a consequence our war-ships in case of war would be compelled to seek and to hover about our own coasts, where fuel and supplies would be available. The vessels of all combatants in the present war are subject to varying risks of capture. Our flag, being neutral, is immune; but, alas! we have no adequate merchant marine to embrace this wonderful opportunity to advance our commerce. Crucial conditions have opened the eyes of Congress, and a recent law permits American registry to foreign-built vessels to be engaged in foreign trade. All nations naturally protect their domestic commerce; but there are labor employment restrictions as to American crews which render competition with other flags practically impossible. Realizing this, Congress provided for a temporary suspension of some of these requirements and the President by proclamation has made the suspension operative.

Building up a fleet is not a temporary matter, and merchants naturally hesitate to buy and operate vessels under conditions that may in the near future change very much to their disadvantage. The coming of this commercial bridegroom finds us in the condition of the unwise virgin.

Every national bank heretofore has been compelled to do business only at the one place named in its charter; no branches permitted, no agencies at home or abroad allowed. That is changed by the new banking law about to go into effect. Again we are unprepared, and for the present must meet the same conditions as heretofore, namely, our goods must seek foreign markets under the flags of our competitors; the transactions must be financed, wherever transactions are con-

summated abroad, by the banking institutions of our rivals. The purchase of raw material, its manufacture, transportation abroad, sale upon the usual time credit which obtains in the country, and the purchase and remittance of exchange, against the return flow of trade, with which to make payment, involve a long period of time—from nine to twenty-four months—and involve much capital. A half century ago the banks of continental Europe were largely owned by the factories, and banking, manufacturing, and merchandising were closely interwoven. Independent banking is very modern; Germany, with its central bank and highly mobilized capital, is in better shape to do a large foreign business than any other nation; it has colonists, if not colonies, all over the world, who begin by sweeping out the establishment and end by owning it. The Germans are the sturdiest, strongest people, and competition with them on our part would be almost hopeless; but they are not competing. Their customers, looking for a supply, will meet us half-way, and there is a glorious opportunity, notwithstanding our handicaps, to enter in a large way into the commerce of the world, increase and render steady and more uniform the business of merchant and factory, and steady and make more uniform and continuous the employment of labor. Uniform and dependable conditions for business and labor are, above all things, most to be desired.

What may be accomplished depends largely upon the duration of the war. The titanic character of the combatants insures a long war, if it is to be a fight to a finish. If the war shall prove that large armaments and myriads of soldiers do not guarantee victory, it may result in disarmament and prove a boon to mankind, however dearly bought. The man in the gutter serves to point a temperance argument quite as effectively as the pure and upright, and when the carnage and broken lives, broken hearts, and broken homes resulting from this war are garnered and set forth in history, it would seem that the dread arraignment must insure arbitration in a court of the nations and the blessings of peace in the future.

The first effect produced by the shock of war is the suspension of credit. Since

over 90 per cent of business is consummated by means of credit, the suspension of credit means business paralysis, in greater or less degree. Even before the war commenced the two great creditor nations, banker nations, England and France, decreed a moratorium. Parliament passed a law the first section of which reads as follows:

1. His Majesty may by proclamation authorize the postponement of the payment of any bill of exchange, or of any negotiable instrument, or any other payment in pursuance of any contract, to such extent, for such time, and subject to such conditions or other provisions as may be specified in the proclamation.

In pursuance of this authority, thirty days' extension of payment was decreed upon certain specified obligations.

In pursuance of similar authority the President of France decreed:

Article I. The periods during which protests and the other acts intended to preserve the rights for all negotiable instruments signed before the 1st of August, 1914, and which fell due since that date, or which will fall due before the 15th of August, 1914, are extended for thirty clear days. The same extension of thirty clear days is accorded to negotiable instruments which are becoming due before the 15th of August, 1914.

Americans abroad were unable to get money upon the usual instruments of credit with which travellers provide themselves, and suffered great hardships. Credit was withdrawn from American commerce, trade between the United States and Europe for a time was absolutely closed, exchange was demoralized, exchanges in Europe were closed, and the New York stock market was availed of to sell anything and everything that would create a credit with which to get gold for export. Many people failed through no fault of their own, but owing to this paralysis of business and the resulting depreciation in prices.

To stop this flood of European securities, some of which, like Canadian Pacific, were listed on the New York exchange but were not United States properties, to protect prices and prevent failures, and also to protect our gold, the Stock Exchange was closed. In order still further to protect our gold, the clearing-houses of the principal cities were placed upon a credit basis, settling their debit balances

in clearing-house certificates instead of gold. Many people individually and all collectively suffered great loss because of this general business demoralization.

In the long run and in the last analysis this war will prove to be a damage to the United States, although there will be many compensations. Europe, especially England, has been the great reservoir from which we have drawn funds to finance our various enterprises. The amount of our investments held abroad is variously estimated at from \$3,000,000,000 to \$6,000,000,000. We have already contributed toward financing this war by buying back our securities and sending to Europe over \$100,000,000 in gold. We may not loan directly to any of the governments engaged, but we will buy American securities sent back to us and the sellers will invest the funds realized in their government securities, and thus indirectly we are financing the war. Why need we buy these securities held abroad? By far the larger portion we need not and will not buy, but our choicest bonds, such as are authorized and held by our investment institutions, must be protected, the price must be reasonably maintained; otherwise the great depreciation in value would render these institutions insolvent; their assets at market value would be less than their deposit liability; with no contributory fault on their part, but owing to this wholly unprecedented condition, most unjust condition, they would find themselves in the greatest embarrassment. We are therefore compelled to buy our listed securities in order to protect our savings-banks and other home institutions.

For the two to three hundred thousand bushels of wheat which we may export the country will receive a high price, about \$1.25 per bushel, and the growers and holders of wheat will profit; but how about the five or six hundred thousand bushels consumed by our own people?—they too will be compelled to pay this very high price.

War is very destructive of horse-flesh, and those who raise horses and mules will realize a large advance from the increased demand. Our farmers and planters, all who require these animals, will be compelled to pay high prices as well.

Cotton is the principal item in creating

our international trade balance; Germany last year took from us about 1,900,000 bales. She will take none this year, and other nations may take reduced amounts. The lessened demand results in a much reduced price, and raw cotton will be a less potent factor in paying our debts abroad. But in supplying the foreign demand for cotton goods, which will be greatly increased, our own mills will require for manufacturing purposes a largely increased number of bales. Instead of sending cotton in bales we will send it as finished product, greatly increased in value, and thus it may be a still greater factor in creating a trade balance favorable to this country and at the same time give business to our cotton-mills and employment to labor.

Burlap bags, made from jute, used for sacking raw sugar, fertilizer, and kindred purposes, are not obtainable, and already orders are being given for coarse cotton bags to take their place. The lower the price of cotton the more extended will be its use, and increased demand will tend to restore price equilibrium.

The best linen comes from Ireland, though by far the greater part from Germany (\$22,000,000 last year). We must substitute cotton. Under the circumstances people may wonder why we do not manufacture linen from the thousands of acres of flax straw in the West, instead of burning such straw. The field straw from crops raised for the flax seed is brittle, lacks fibre, and would make only the coarsest fabric. Linen is made only from flax carefully grown and harvested for that specific purpose. We imported \$2,000,000 worth of handkerchiefs last year; we can supply that need at home. We imported \$7,500,000 worth of toys and dolls, mostly from Germany; already our dealers are negotiating with Japan for holiday and Easter toys. What machines can produce we can produce in competition with the world, but where manual labor is required we must go where labor is cheap.

Basic chemicals come from Germany, because Germany makes them better and more cheaply. They can and should be made here. Over \$20,000,000 of dye-stuffs were imported last year; all aniline dyes come from Germany, and most of

the others. Aniline dyes are made from coal-tar, the residuum after manufacturing gas. Why may not this whole industry be permanently transferred to the United States, as the result of Germany's isolation?

The coarse cotton goods that constitute the clothing of both sexes in tropical countries have been largely furnished by Germany. These goods are coarse in material and meretricious in coloring, and can easily be supplied by America. When travelling in Mexico, four years ago, I encountered a German who was photographing the people in their various costumes, and then coloring the photographs so as to reproduce, color effect and all, just what the people were wearing. He was appointed by the German Government, but paid by the manufacturers, and his task was to let his employers know just what the people wanted, in order that they might consult their tastes and the more easily sell their goods. If America is to supply the foreigners with goods, America must study the idiosyncrasies and cater to the taste of foreigners *à la* German.

The Germans handle the major part of the shelf hardware in all the lesser commercial countries. Their knives are not so good as the English, but very good and cheaper, and they make what each country wants. That surely is a field America can occupy.

We buy more coffee and rubber from Brazil than any other nation, and settle for the same through London; we ought to settle directly with Rio Janeiro and ought to pay mostly in goods, instead of paying mostly in cash. South America offers us a most inviting field, rich in splendid possibilities. A careful study of local conditions is necessary, the long credits which they require must be patiently watched and guarded; German painstaking thoroughness and persistence are needed, and we must be prepared to buy whatever they have to sell.

In agricultural machinery and implements we lead the world; in all forms of mining machinery our primacy is conceded. There is no need to particularize, our consular reports are most valuable, and the customs reports of each country show what goods they import and from

what countries they are received. An opening once made and one line of trade established, other lines will follow naturally and quickly.

We have no walls to breach, no citadel to reduce; the portcullis is up, the draw-bridge down, and we are smilingly invited to enter. Enter we must and at once, lest others precede. Every merchant owes it to his country as well as himself to accept this opportunity so fortuitously given us.

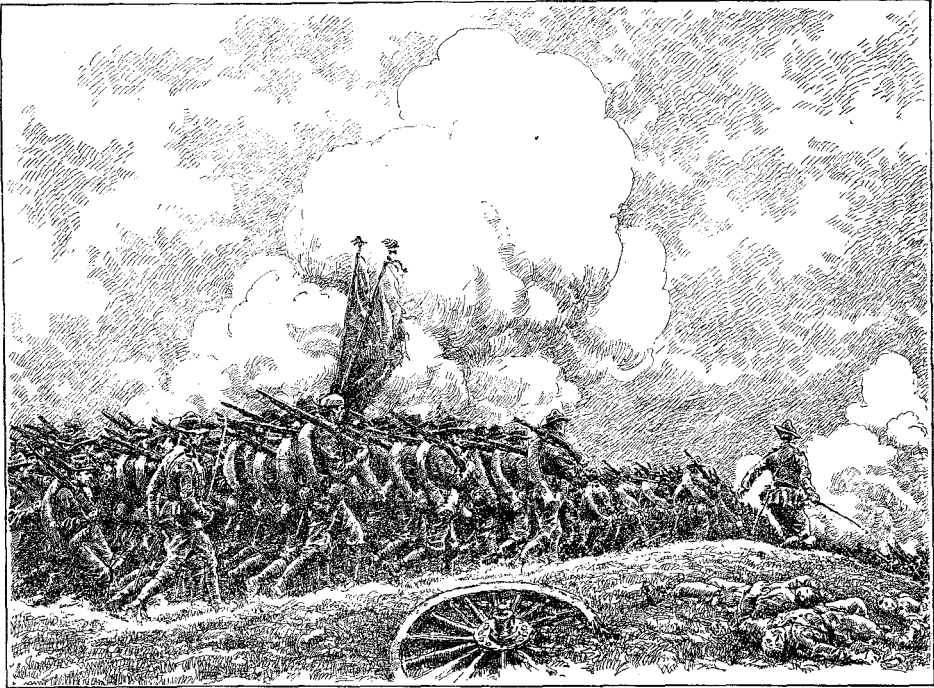
We are still a debtor nation; we owe billions abroad, but we are being compelled to reduce our indebtedness by the present necessities of our creditors. When the war is over it will take the nations involved long years to recover from the destruction and waste, long years before they will be in a position to invest in other nations as freely as they have invested with us. This will make for the conservation of our latent resources. The industrial crime of this generation consists in trying to convert all forms of real estate, especially mineral lands containing the precious and cruder metals, into personal property by means of the fiction of stocks and bonds, anticipating the future in amount of capitalization and selling the same to an optimistic public. The curtailment of our borrowing ability abroad will curtail this reckless exploitation, in the present, of what really belongs to the future.

An able-bodied laboring man is an asset, an income-producing asset, equal to his gross earnings for the year. Take 12,000,000 or 15,000,000 such men—and only the strongest and best are accepted as soldiers—from the assets of the nations, put them into the liability column, lose what they might have earned, and in addition support them, not in idleness but in destruction, their every energy devoted to destroying life and property, and this will give some idea of the material cost of the war.

Regard also the effect upon the human

race. The killing and maiming of all these able-bodied men, the physical perfection of the nations involved, negatives the law of natural selection. It leaves the coming generations to be propagated, largely, by the old and the very young and the maimed, and the deleterious effect will be pronounced. The destruction of so large a portion of virile French manhood during the Napoleonic wars found marked expression in the physical inferiority of the succeeding Frenchmen for many years. The unparalleled carnage and wounding and killing of the present war will seriously affect the coming generation in the countries where these losses occur, and must be reckoned among the primal costs of the war. The females of the world, already numerically greater than the males, will be preponderant in still greater degree.

The great, rich, powerful nations are crippling themselves and crippling each other, and impairing their ability to continue to finance and dominate the commerce of the world as in the past. The circumstance of this most deplorable war tends to force upon us the boon of becoming the greatest of creditor nations. This is our opportunity and the compensation which may offset all the losses which the war entails upon us. How easily this may be accomplished, with responsive energy and wholesome economy on our part! Should each one of our 20,000,000 families economize an average amount of \$50 per year it would amount to \$1,000,000,000, a handsome contribution toward the payment of what we owe abroad, and a splendid fund with which to finance home enterprise or invest with other nations. It is the nation as well as the individual that saves that becomes financially strong. Wise economy and prudent commercial enterprise will easily make us a creditor nation, give us a commanding position in commerce and finance, insure business for our industries, employment for our people, and prosperity for all.



THE DRUM

By E. Sutton

ILLUSTRATIONS BY JOHN WOLCOTT ADAMS



THERE'S a rhythm down the road where the elms overarch
 Of the drum, of the drum,
 There's a glint through the green, there's a column on the march,
 Here they come, here they come,
 To the flat resounding clank they are tramping rank on rank,
 And the bayonet flashes ripple from the flank to the flank.

"I am rhythm, marching rhythm," says the drum.

"No aid am I desiring of the loud brazen choiring,

"Of bugle or of trumpet the lilt and the lyring,

"I'm the slow dogged rhythm, unending, untiring,

"I am rhythm, marching rhythm," says the drum.

"I am rhythm, dogged rhythm, and the plodders feel me with 'em.

"I'm the two miles an hour that is empire, that is power,

"I'm the slow resistless crawl in the dust-cloud's choking pall,

"I'm the marching days that run from the dawn to set of sun,

"I'm the rifle and the kit and the dragging weight of it,

"I'm the jaws grimly set and the faces dripping sweat,

"I'm the how, why, and when, the Almighty made for men,"

Says the rhythm, marching rhythm, of the drum.

"Did you call my song 'barbaric'? Did you mutter, 'out of date'?"

"When you hear me with the foemen then your cry will come too late.

"Here are hearts a-beating for you, to my pulsing as I come,

"To the rhythm, tramping rhythm,

"To the rhythm, dogged rhythm,

"To the dogged tramping rhythm

"Of the drum!"