THE THEORY AND PRACTICE OF THE INTERNATIONAL TRADE OF THE UNITED STATES AND ENGLAND,

AND OF THE TRADE OF THE

UNITED STATES AND CANADA;

WITH

TABLES OF FEDERAL CURRENCY, CANADIAN CURRENCY AND STERLING, EXCHANGE FORMULAS, ETC.

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TO
JAMES BUCHANAN,
President of the United States,
AND TO
LORD NAPIER,
British Minister at Washington,
THE REPRESENTATIVES OF THE INTERESTS INVOLVED,
THIS
HUMBLE CONTRIBUTION
TO THE LITERATURE OF INTERNATIONAL TRADE,
IS RESPECTFULLY INSCRIBED
BY THE
AUTHOR.

PREFACE.

No apology is needed, at the present time, in bringing the subject of international trade before the business public of the United States and Canada, as the people of the latter country are now warmly engaged ranging themselves on the side of protection or free trade, and there are strong indications that the people of the United States will promptly follow suit. The English reader will bear willingly with the application of familiar principles, where the interests of his country are involved, and whatever, therefore, the demerits of the matter of the following pages, either in expression or in thought, they come before the public at the proper time; and it may not be out of place to say, that the writer, however tedious and inelegant his expositions may appear, has had the benefit of several years' experience in the practical work of the international trade of the countries of which he speaks. He has sought to give expression to his own thoughts in an unreserved and homely way, feeling satisfied that it is essential to be understood, and that a fundamental treatment of the subject matter is indispensably required.

The chapter on Canadian trade, embraces the Reciprocity and Protection agitation that is going on in Canada; and Canadians are to understand that the writer is without partiality either to their country, or to the United States, or to England, and not identified with any class or interest

The same remark applies to the last chapter, in which the relative advantages of different routes from the West to the Seaboard, are freely canvassed. There is no other end in view than that of stating things as they really are; and if injury results to any interest, from that being done, the mass at least will reap the benefit. It is high time that American capitalists on the seaboard, and the grain and provision and shipping interests of England, were informed of the outs and ins of Western trade, and in an especial manner brought into more immediate sympathy with Illinois. Here, at present and in all time, is to be found the greatest accumulation of human food, raised with the least expenditure of capital and labor, and yet that accumulation finds its way to shipping ports, in a manner calculated to keep production down to the lowest point. It is not controlled by large capitalists, nor taken in exchange for imported articles, but finds its way by repeated handlings to the seaboard. That practice must be changed, and it is by writing and agitation that it can be done. What has built up New York and every other great commercial centre, but direct communication with other countries? and what but that can develop fully the productive forces of the West? We want the cottons of Manchester, the stuffs of Bradford, and the silks of Lyons and Spitalfields, put down where the wheat and corn are grown, and while we would then have these manufactures cheaper, our wheat and corn would be received by the foreigner on better terms. The West and Chicago are ripe and able for European enterprise, and for the opening up of what ultimately will become the best European market in the United States; and the writer's object shall have been attained, if, with the enunciation of sound principles of trade, he has aided in directing attention to a neglected but mutually advantageous field of international intercourse between the United States and Europe.

Exception may be taken to the low producing cost of wheat in Illinois, but the statement is made advisedly, as the price at which wheat can be grown in the neighborhood of Chicago, and sold at a fair return on the vested capital. Transportation from one extremity of Illinois to the other would cost almost twenty-five cents a bushel, so that the statement has a local meaning only. Anywhere in Illinois wheat can be grown and sold *with profit* at twenty-five cents a bushel; but wheat grown on the Illinois River, and brought to Chicago, could not be sold probably under thirty-five to forty cents.

The tables, given in the appendix, will commend themselves to every business man, and although not fractionally exact, they will suit the every day purposes of the operator in grain and produce, while the calculations of exchange provide a rule for exactness, when in the settling up of business fractional exactness is required.

THE

THEORY AND PRACTICE OF INTERNATIONAL TRADE.

CHAPTER I.

ELEMENTARY MISCONCEPTIONS.

§ 1. The theory and the practice of international trade, although agreeing in many points with those governing our domestic interchange with one another, are yet so dissimilar as to rest mainly on opposing principles, and to require a study and a treatment by themselves. Domestic interchange is regulated in the main by producing cost; but foreign interchange disregards the original producing cost in the country from which commodities are received; and it is scarcely necessary to remark, that the experience derived in domestic trade would never qualify a man to engage successfully in cotton and coffee barter with Brazil; nor for the prosecution of a whaling venture in the Southern ocean.

Before entering into that interesting and instructive field of speculation, and unfolding the secret springs by which our produce and manufactures are distributed abroad, and the varied productions of the world gathered to us, it is necessary to remove those misconceptions which hitherto have overlaid the subject, and made it so distasteful and obscure.

One of the most patent of these errors is a misapprehension and misuse of the term *wealth*. In perhaps nine cases out of every ten, that word is restricted, in its meaning, to what is one of its forms only, while everything in its marketable state that is an object of desire, is wealth in the same sense as coined or uncoined gold and silver. What, for example, is the difference, in point of wealth, in the case of a man who, to-day, has ten thousand dollars' worth of gold, and between now and another season shall have spent that sum in brick and mortar and other materials, and in the labor necessary to build a store or dwelling? Obviously, his position is unchanged, if the store or dwelling is an object of desire to others, equal to the aggregate of the outlays which he has made. The store or dwelling is in such a case convertible into coin at pleasure; and so long as it is so, it is wealth, in every meaning of the word, to the full extent invested. Generalizing this instance, we arrive at the conclusion that it is as desirable to hold one commodity possessing value as it is to hold another; and the innumerable utilities to which people place their money, is the strongest possible confirmation of the rule.

Looked at in that light, and in a national point of view, gold and silver need not be desired more than other things, and there should be little reason for being elated or depressed, as the national treasury or the banks may be well or ill provided with the precious metals. Anything we are possessed of, at that point abroad where we may wish to effect the barter, can command its equivalent producing cost in gold, and all uneasiness should therefore be removed. To be sure, the presence or absence of a specie reserve in the banks is an indication of the presence or absence of unemployed capital within the country, that may be loaned; but the same credit which could hire the banker's gold, could assuredly be employed in the purchase of something else, that could be resold and the representation of its equivalent, say a promissory note, at once used for the exigency of the time.

In one point of view, it is in fact undesirable to have an individual's or a nation's means represented in the precious metals, as means in that form are unsusceptible of increase, while in almost any other form they are susceptible of indefinite augmentation. The case of real estate in Chicago, is an apt illustration of the increase that capital may receive in the form of land and not in the form of gold. Investments made in central city lots, in 1838, have long since yielded a

thousand fold, while a five dollar coin, then wrapped up in paper and opened out a century afterward, would show no perceptible change, and yield possibly a diminished value. To be sure, a man may lend out gold and derive an income or an increase from it; but the income or increase is not from the gold, but from the commodities into which the gold has really passed.

Still there are those everywhere who would gather coin and bullion from every quarter, and in the hope of making themselves and others more wealthy than they are, restrain the export, overlooking the important fact that gold and silver are desirable and useful to the extent only that they are exchangeable for other things; and that the human race would have been no worse off had gold and silver been unknown.

A nation to be rich has only to possess a large abundance or excess of useful products, and these products are at any time convertible abroad, either into others or into gold and silver; if conversion is made into the former, a still greater increase of the aggregate of wealth may be made; and if into the latter, no increase may occur, but what has been received may be preserved from hasty depreciation.

Following out this deduction, we arrive at the rather singular but not less truthful fact, that the mines of California are of no benefit to the United States, and that the mines of Australia are of no benefit to Great Britain, as the capital expended in digging gold could have been more profitably employed, particularly in the western sections of the United States, in the production of what was to yield ulterior products, instead of producing what really yields nothing; but to the extent in which labor and capital are involved, serves only as a medium of exchange.

The utility and real value of the precious metals to a country will be brought out by a few practical illustrations.

Suppose that we determine on an accumulation of the precious metals, and in sending breadstuffs across to Europe, insist or arrange that so much shall be paid in coin. A mere barter then takes place; we give our wheat, corn and flour, and get so much English gold and silver for them. The United States receive the product gold, and receive, it may be, the same quantity precisely as would have been acquired at home; and England receives precisely the same quantity of wheat, corn and flour as it receives for the same value from its own farmers. If, on the other hand, the United States had received manufactures in place of gold and silver, then, for example the wheat of Illinois, which costs the farmer twenty-five cents a bushel, and could ordinarily be landed at Liverpool for twenty-five cents a bushel more, would, if wheat were worth a dollar in Liverpool, be put into manufactures at an advantage of fifty per cent. to the United States; and England, on the other hand, from its advantage in manufactures would, in paying in these manufactures, have our wheat at a lower valuation than it has its own; and thus the United States and England would both be gainers, inasmuch, as the one would have so much manufactures and the other so much wheat, at a cheaper price than either could be produced; and irrespective of the cost of the manufactures or the wheat, to the importing countries, both would be saleable at the market price and the full difference would be gained.

The question, then, is the advantage which the United States derive from importing gold, and the advantage which England gains in importing wheat; the wheat being purchased from the United States in the precious metals.

The imported gold, we shall suppose, does not find its way into the New York clearing house, but is held against fresh paper issues, made on its receipt. Here, then, appears to be an addition to the circulating medium, and a direct benefit to the community at large. There is more money in the country, and a fresh impetus is therefore given to its productive power. Such is the popular theory of the present day, notwithstanding all that has been said and written, and notwithstanding the repeated teachings which experience gives us. Money is useful as a medium of exchange only, and as dispensing with it may be an inconvenient amount of barter, and inasmuch as it represents the capital involved in its acquirement, and creates nothing, and can neither feed the

hungry nor clothe the naked, so the amount represented by it is so much abstracted from productive use. If the whole United States were converted into cash to-morrow, we would be no richer than we are, and our enormous treasure would be worthless, until we had acquired another country, and by the diffusion of our monied wealth, put industry and natural agents again in motion.

By and by, and in an especial manner, in the trade between the United States and Canada, we shall see how little money is really needed in settling up the balances of one country with another, and how much the principle of barter in reality obtains. Suffice it here to say, that business does not need an increase in the circulating medium, in the same ratio as its operations are increased. In June, 1851, when the exports of the United States were $218,000,000, the circulation of the banks of New York State was $27,511,787; while in 1857, when the exports stood at $362,000,000, the circulation was only $27,122,000, or a trifle less than at the former period.

An augmentation of the circulation beyond a given point, may be unnecessary, therefore, even if it could be made; and gold deriving its value from a command over other things just as commodities in general have a command over one another, there is no real benefit resulting from excessive accumulations of the precious metals; but quite the contrary. In receiving gold we generally receive the mere fixed value of what we have sold, while in receiving other things, whose values are not steady, and whose comparative cost may be less than similar articles produced by ourselves, we secure a profit alike on what we get and on what we give.

This point is brought out clearly in the case supposed. England, we have said, had to purchase wheat from the United States in gold; and the United States in receiving gold got no more advantage from the sale of wheat, than if the sale had been made for use at home. On the other hand, England, in paying gold had not the advantage which would have been derived had the produce been settled for in manufactures; and the same price was paid for the wheat that would have been paid to the English farmer. So far, then, both countries are alike, inasmuch as no advantage has been gained; but according to the principle now advocated, the United States has received a product which is worthless in itself, while England has received that which of itself can sustain labor. A greater quantity of food has been admitted into England, and an equivalent quantity of gold has left. When the gold remained it was producing nothing, but was idle in the vaults of the Bank of England; and bread was dear, and people stinted in their other purchases. With the introduction of wheat, the gold, which be it observed, was doing nothing, leaves the country, and its value in the shape of loaves of bread is put into circulation; and as a sequence to the increased supply of bread, that commodity becomes cheaper, and less of the consumer's capital is required to pay for what really, under any circumstances, cannot be done without; and more capital remains for investment in other things. The English community is, therefore, benefited by the operation. By the conversion of a certain amount of specie into breadstuffs, they have received what they stood in need of. The United States have parted with their abundance and have the dead-weight gold instead; and the United States can use the gold in the same way that England did; but what we insist on is, that until the gold is used, until it has been converted into something else, no stimulus to trade can possibly occur. It is not for the gold, as gold, that the mechanic and the laborer toil, but for the commodities into which that can be exchanged. What is needed, therefore, to make a nation rich and prosperous, is a large accumulation of what all consume; and the less the amount employed as a medium of exchange, the greater the aggregate stock of those utilities which all desire.

Supposing that England, under the circumstance of gold being required, had declined to buy the wheat, and with the view of relieving the distress, which, in a period of a high price of the first necessary of life, may be presumed to prevail, had made a forced bank issue, of an equal

amount to that represented by the wheat purchase, what then would have been the positions of England and the United States? Let us suppose the sum to be $50,000,000, which the Bank of England was authorized to issue on approved security. The amount goes forth, but strange to say, the notes are all returned, in consequence of the circulation of the country being already full. No more money is in circulation than before the loan was made, but men have discharged their obligations, nominally with notes, but in reality with the capital of the Bank of England, which may have been consols or exchequer bills. But what is the effect in England? Why, nothing more than this, that men who could not pay their way before, have so far paid it now, and that is all. There is no increase in the capital of the country, but a mere transfer of a certain amount; and if suffering prevailed before, it will do so still, until capital of another kind than gold and silver has been put into circulation. The United States, on the other hand, would have its wheat, and that wheat, in consequence of an absence of demand from England, would decline in value, as compared with gold and other things, but its substantial qualities of sustaining life and labor would be the same; and if a diminished money price was an injury to the few, it would be an unmingled blessing to the mass.

These views conflict with those usually entertained. It is supposed that a fecund banking system is only needed to turn the wilderness into a garden, and the solitary place into a noisy workshop. The cry is that money may be multiplied. Now, it must be obvious that there is no advantage in a people representing their means to excess in money, as money of itself can accomplish nothing, and its increase implies an extinction of other things really possessing that virtue which money can command but does not have. It is to be observed, also, in the case of a fixed issue of bank notes, that no addition is made to the circulation, but, that the notes are at once returned, and a transfer of capital is what occurs. To make this clear, let us revert to the previous illustration:—The Bank of England makes a forced issue of $50,000,000, and that sum is at once absorbed in the way we named. Notes to that amount go into the hands of certain parties; these parties pay them into the hands of others; and these present them at the counter of the Bank, and the equivalent is paid in gold, which may then be sent abroad beyond the kingdom. Now, this gold is capital; it has been dug in California or Australia, and its value is rated in other things, in proportion to the relative privation that is suffered in its pursuit, and its purchase by the Bank of England was at its rated value in something else. It is capital, therefore, and not notes that is required, and how capital is to be created by the issue of paper money, is not easy to understand. If the notes were based on capital, and sent in for payment, then the capital would be transferred, and not created; and if the notes were based on nothing, then we at once commit the error of over-trade, and sooner or later pay the forfeit.

The distinction between capital and currency, or circulation, has hitherto been too frequently overlooked. Currency or circulation consists of those sums, which are used in the payment of wages and the carrying on of retail transactions; and without reducing people to a state of barter, no curtailment of it can be made. No more money than what is really needed can be put into that channel, and so long as money is to be had, the amount cannot be controlled. When there is excess from economy or other cause, the excess becomes capital, and whether in the form of coin or bills, it is put into bankers' hands, and transferred from one person, or from one city or continent, to another. That is the characteristic of capital. It is intrinsic or representative wealth, in a tangible, appropriative form, and cannot be created by an act of mere volition only. Before a medium of exchange was recognized and introduced, one commodity was trucked against another, on the crude principles of value which then obtained; and what change has since taken place? The articles, gold and silver, after great expenditure of capital, were to be had in a few regions of the world only, and in minute particles, and that the inconvenience of barter might be removed, this limitation in supply fitted them preëminently to become a me-

dium into which other things could be exchanged. Into that service, these metals were in course of time improvised, and a specific quantity of each made into certain coins. That practice still obtains, and it is more correct to say that the weight of gold and silver in certain coins is fixed, than to say that the values of the metals are. For example, in the United States, two hundred and thirty-two grains of pure gold are coined into a ten dollar piece; and, in England, one hundred and thirteen grains of pure gold are a pound sterling; and if the obstacles to the production of gold were diminished, as compared with other things, then other things would command a higher money value; and if, while the obstacles to the production of gold remained the same, the obstacles to the production of other things were weakened, then more of other things would require to be given in exchange for a given quantity of gold.

Gold, then, representing intrinsic value, is capital in the same sense that wheat is, and a nation possessed of it can command the purchase of other things; but as the capital of a nation, like the capital of an individual, is susceptible of expression in a given sum, it follows that if so much is in the form of gold, so much less exists in other things; and as gold is a mere medium of exchange, and of itself yields nothing, a nation converting its whole resources into coin would come to a stands-till and starve; and in exact proportion as the capital of a nation is productive and transferable, so is its people and its commerce in a prosperous or unfruitful state.

While we are at present writing, (Feb. 1858,) the specie in the New York banks exceeds thirty million dollars, and the country, as a whole, is suffering more than it ever did before; and not until that treasure has been diffused in trading channels, preliminary to its being exchanged for the products of Europe and the world, can contentment and vitality be restored. The circulation of the country continues full, but thirty millions of its wealth is locked up unproductively in New York city; and millions more in Philadelphia and Boston and other parts. If the commodities given for that gold had still been retained in the United States, we would

2

have been not less wealthy than we are, but in the absence of demand from abroad, these commodities, expressed in gold would have declined in value, but without forfeiting in any way their substantial powers of contributing to the productive forces of mankind. We would be in the position with respect to all commodities, as in the case previously supposed with wheat, when England declined the purchase in the precious metals; but the situation would be aggravated in degree. Such, however, is not our position at the present time. We have received the precious metals in greater abundance than we ever did before, and yet our business relations were never further wrong; and it will be interesting to note hereafter, that as the stock of gold became diminished, trade improved step by step, demonstrating beyond all doubt that other things than gold are entitled to the name of wealth, and should be business objects of desire.

§ 2. Another popular misconception is a supposed benefit to the country from a high price of its agricultural produce. The income is said to be greater, and the accumulation as a consequence greater also. It is said that red western wheat in New York city, was worth $2.10 per 60 lbs., on the 3rd January, 1855, and on the 3rd January, 1858, that it was only worth $1.10. Supposing, then, that a farmer had sent twenty thousand bushels forward at both these periods, he would have received precisely twenty thousand dollars less for the one parcel than the other, and the capital of the country would so far appear to be curtailed. Then, if the production of the country at both periods was 150,000,000 bushels, the aggregate returns would be no less than $150,000,000 against the present year.

So far as the farmer is concerned, we are free to admit that the one year would be much less profitable to him, in a money point of view, than the other; but as the principal customers of the farmer are his own countrymen, it must be obvious that precisely what he acquires from these is taken from the general stock, and that in place of an augmentation of the national wealth, a mere transfer and consumption

in reality is made. This point is of easy illustration. An individual is in receipt of so much yearly salary. Suppose it is a thousand dollars; that, from that sum, four people have to be maintained, and that the average consumption of each is a barrel and a half of flour per annum. The price of six barrels of flour, no matter what that is, has to be taken from the thousand dollars. If the price is five dollars per barrel, the expenditure is thirty dollars; and if the price is ten dollars, then the outlay for the commodity is doubled. Now, that flour is consumed and leaves no product. So much capital is virtually thrown into the sea; and the only benefit is, that lives already existing are sustained. An equivalent is paid the farmer, in a transfer from the wages of the individual; the farmer has the money that the consumer parted with, and the consumer has nothing; but is precisely in the same condition, after the flour has been consumed and paid for, as before it was received. The farmer's income is therefore derived exclusively from the capital of other people, and as his stuff is cheap or dear, so does he absorb a lesser or greater amount of the aggregate that the country has, and leaves the less or more for employment in the purchase or production of other things. It is a mistake, therefore, to suppose that a high price of agricultural produce is advantageous to the country. The reverse is the case, and we shall see presently that commercial difficulty may not unfrequently be traced to the absorption of capital consequent on a high price of bread.

A difficulty here presents itself, which it is necessary to clear away before proceeding further. The individual who bought the flour from the farmer, paid a portion of his wages for the flour, and it may be said that the money having passed into the farmer's hands, the country is at least no poorer than it was. This is simply the fallacy of money being the only form of wealth, which has already been considered. The stock of money is not affected by the consumption of the flour, for the sufficient reason that bank notes and coin would form an indifferent meal; and under no circumstances are ever intended to be eaten. It is not wonderful, therefore, that they should remain after the flour has perished; but it would have been wonderful if they had disappeared. It is enough that the flour has gone, and that it was raised by the farmer, in the form of wheat, after a period of anxiety, and an expenditure of means and labor; and after the outlay of the miller in subjecting the wheat to a costly process. The commodity was therefore exchangeable into gold or silver, or into any product, either of this country or of Europe, and having coëxisted with all the gold and silver that there was, and having been destroyed, the country is the poorer for the loss.

But not only is a high price of food pernicious to a people, in the absorption of so much of what they earn, and for the mere support of life; but commercial prosperity and difficulty are intimately associated with the abundance and scarcity of the staff of life. Observation has placed the fact beyond a doubt that a time of plenty stimulates industry in every country, and a time of dearth lays commerce prostrate; and the rule is absolute. At first thought, it would seem, and it has been often urged, that a scarcity of food in England and an abundance in the United States, was disastrous to the former only, and an unmingled blessing to ourselves. A moment's consideration puts us right upon the point. With abundance of wheat and flour, these commodities are cheap, and the expense of living is reduced, and every man has so much more for investment in other things; but with an outside demand, that abundance is absorbed, and prices rise to the level in the country whence the demand is made. The resources of the country are then absorbed by the agricultural class, and seldom find their way again into trading channels, but are sunk in improvements, or in speculative purchases of wild western lands. The farmers, therefore, are the only class benefited; and it is to be observed, with respect to the farmers of the United States, that at the lowest price which produce has ever touched, they have more than an average return for the capital and labor they employ. No possible depreciation of price can therefore injure them; and the high prices of the

past few years have done less good to them, than harm to others. Into this vital principle we now proceed to inquire.

According to European economists, the wheat consumption of the English people is equal to eight bushels per annum, for young and old, of the population; while in France, where less animal food and more bread is eaten, the annual average consumption is ten bushels of wheat per head. Taking the English consumption as an approximation to our own, and the population of the United States, in round numbers, at 30,000,000, the home consumption of wheat for the present year will be no less than 240,000,000 bushels; and taking that quantity as a basis of a calculation, with the fluctuations in price, since 1850, we see at a glance the relatively greater absorption of the national income, in one year than in another, and for the self-same object, the purchase of our daily bread.

PERIOD.	BUSHELS WHEAT.	PRICE.	COST.
Sept. 1, 1850,	240,000,000	$ .80	$192,000,000
" 1851,	240,000,000	.60	144,000,000
" 1852,	240,000,000	.70	168,000,000
Jan. 3, 1853,	240,000,000	1.25	300,000,000
" 1854,	240,000,000	1.78	427,000,000
" 1855,	240,000,000	2 10	504,000,000
" 1856,	240,000,000	1.90	456,000,000
" 1857,	240,000,000	1.58	379,000,000
" 1858,	240,000,000	1.10	264,000,000

NOTE.—As stated in the text, the above is only to indicate the amount that the nation pays for wheat at one price, as compared with another price, and the estimated population of the present year is the basis of the calculation It is not, therefore, to be implied, that the consumption of wheat in the United States in 1850, and the two years subsequent, was the same even quantity, of 240,000,000 bushels. The population of the country was much less in 1850, than it is in 1858, and as a matter of course, the consumption of wheat was less also; but if the precise quantity of wheat consumed in 1850 and subsequent years, had been given, the result would have been relatively the same; while the above perspicuous exposition of the principle would have been lost.

Taking 1851, the year of the lowest price, with 1855, the year of the highest price, we find that the aggregate expenditure of the latter year exceeds that of the former, by nearly four times. In 1851, there was a home expenditure of wheat of $144,000,000, and in 1855, an expenditure of $504,000,000, or an excess of no less than $360,000,000; a sum large enough to build as many more railroads as we have, or more than extinguish all our indebtedness to Europe. To talk of excessive bank issues, of excessive business credits, or even of the wild land and paper town mania, as the moving causes of recent troubles, is ridiculous after that. The remote and secret agony was the great absorption of the nation's capital from 1853 down to 1858, arising from deficient harvests both in this country and Europe.

But what was the condition of the country in 1851, the year of cheapness, and in 1855, the year of dearth? Let us consult the impartial record of Freeman Hunt:

1851.	1855.
JANUARY. The money market well supplied.	JANUARY. Bank panic; disorder and pressure.
FEBRUARY. Trade brisk; liberal credits.	FEBRUARY. Symptoms of returning confidence.
MARCH. Business in a satisfactory state.	MARCH. Banks expanding.
APRIL. Payments prompt.	APRIL. Crash among the California bankers.
MAY. Trade better, and greater than ever known before.	MAY. Great contraction of trade and credits.
JULY. Panic in Liverpool; no reason for alarm in the United States.	JULY. Crops good; trade reviving.
DECEMBER. The temporary reaction past.	DECEMBER. Returning confidence.

Taking the first four years of cheapness, and the five latter years of dearth, the conclusion is the same. From 1850 to 1854, we have cheapness and a flush speculative state of things; and from 1854 to 1858, we have dearness, bank and trade contraction, and ultimately more intense depression than was ever witnessed. Finally, we have in the one period, as compared with the other, an absorption of capital, for the self-same object, which accounts abundantly for the phenomena. In one year we have $360,000,000 more paid for wheat than in another: an abstraction of working capital which no community could stand.

The commercial history of England exemplifies the principle at every step. The difficulties of 1826 were preceded

by the short crops and high prices of 1824 and 1825; the difficulties of 1828, and until the passing of the Reform Bill, were consequent on a greater annual absorption of the national income, in buying bread. In 1838, '39, '40, '41, and again in 1847, we have the same connection of effect and cause. More recently, from 1850 to 1854, we have prosperous times and cheap bread; and suddenly the sky is overcast, and excessive trading to Australia bears the blame. The price of wheat, we shall however find, was the real motive power at work; and the recent pressure has been aggravated by the increased cost of living from 1854 to 1858. In 1853, the average price of wheat was 45*s.* per imperial quarter, and in 1854, it was no less than 73*s.* Taking the population at 30,000,000, we have an equivalent consumption with that of the United States, and no less a sum than $51,000,000 paid in excess for wheat in 1854 than was paid the year before. Such a sudden tax upon the national income could not but occasion suffering; and suffering greater in degree than the then miscarriages in the Australian trade. That excessive annual outlay continued until the close of 1857; and in the necessarily reduced demand for home manufactured products, we have the phenomena of excessive exports, and a rotten trading system brought to light. Business men had their means invested in manufactures and in trade; and suddenly, in the diminished quantity of the staff of life, the agricultural interest absorbed what had been sustaining trade, and in the vain effort of manufacturers and traders to keep their heads above water, excessive shipments were made to the United States and elsewhere; a course which, as things happened, only staved off the evil day, and made its reckoning more severe. And yet, that trade forcing system is looked upon in Europe and in the United States, as the cause of the evil days of 1857; while in reality, that forcing system is the effect of a higher law. The English manufacturer and merchant found the home trade dull, and prices cut down to a less than living profit, and in the hope of better times sent their stuff abroad, receiving those advances which their wants required. The

American manufacturer and merchant did the same; and yet all are blamed, and efforts and sacrifices are charged against them. If, however, the earth had yielded its abundance in 1855 and 1856, the breach in business capital would speedily have been repaired; but wheat touched a higher price in 1856 than it did in 1854, and when the commercial fabric once tottered, nothing, under the circumstances, could prevent a fall. How noble, therefore, the struggle of the commercial class against the accumulated odds of the deficient harvests of four successive years; and how unmerited the opprobrium that has been heaped upon them. Would we not have blushed, if without a struggle, the first wave of adversity, had put the commercial system of the country and the world into one disordered mass of liquidation?

Taking the population of Great Britain at 30,000,000, we have in the following table, the comparative annual cost of wheat, for the same period embraced in the previous table for the United States:

PERIOD.	BUSHELS WHEAT.	PRICE.	COST.
1850,	240,000,000	$1.21	$290,000,000
1851,	240,000,000	1.20	288,000,000
1852,	240,000,000	1.20	288,000,000
1853,	240,000,000	1.34	321,000,000
1854,	240,000,000	2.20	528,000,000
1855,	240,000,000	2.17	520,000,000
1856,	240,000,000	2.20	528,000,000
1857,	240,000,000	1.81	434,000,000
1858,	240,000,000	1.60	384,000,000

NOTE.—The remarks accompanying the previous table, apply to this also; the object to ascertain the absorption of the annual income at one price, and at another price being the same. The computed population of Great Britain being precisely the same as that of the United States in 1858, the quantity of wheat entering into consumption is the same. Comparing the cost to ourselves and the cost to Great Britain, the advantage of cheap living is largely in favor of the United States.

This table, therefore, verifies what we have said. The quantity of wheat essential to sustain the British population for a year, cost in 1850, the sum of $290,000,000, only; and in 1854 and again in 1856, the same quantity of wheat cost $528,000,000; an extra absorption of the annual income in each of these two years, of no less than $338,000,000; a sum large enough to create trading difficulty; but figured up

with the yearly excess, till 1858, the wonder is that recent troubles have been so well got through.

Not only does the trade of Britain, and our own, bear testimony to the serious consequences arising from the fluctuations in the price of bread; but the trade of Belgium and of France teach the same lesson. In fine, wherever bread is cheap, there contentment and prosperity, in the absence of any disturbing cause, will be found invariably to prevail; and whenever a sudden and increased absorption is required to pay for the same measure of the same product, and that product the staff of life, then, in precise proportion to the increase and the continuance of the altered state of things, disorganization and suffering will be found. It is nothing that the extra abstracted wealth passes into other hands, and does not leave the country. It leaves those channels in which the laborer and the handicraft earn their daily bread; and the factory and the work-shop become still and silent; and their once happy, thrifty inmates are thrown upon the world, and there must remain until the advent of better times.

There remains another point needing illustration. We have seen that, even although the crops of the United States are in great abundance, if the crops of England shall have failed, the demand or wants of England will raise prices here until a trading level has been reached. We then experience all the influences of a dearth among ourselves, and the national income becomes absorbed unduly in sustaining life; and every business interest, with the exception of the agricultural, promptly suffers.

Upon this point, the commercial history of England is very clear. During the years preceding 1838, when the action of the English Corn Law precluded the importation of foreign wheat into England, until prices touched a given point, the low price of bread on the continent of Europe stimulated manufactures to a great extent in France and Belgium, and when the bad English harvests from 1838 to 1841 raised wheat prices in England to the point which admitted of continental imports, and raised prices on the continent to the

English level, the manufactures of Belgium and France and Hamburg violently collapsed, and general suffering at once followed.

This, we must admit, is rather an old instance, but it is not less conclusive on that account. Like effects follow like causes in all time, and it would perhaps be difficult, in the whole range of history, to find an instance more free from disturbing elements, and less susceptible of doubt. Eighteen hundred and thirty-eight occupies a position midway between the revolutions of '30 and '48, and general contentment and prosperity prevailed. England was then self-supporting, growing all the wheat and grain that was consumed, and the continent of Europe was doing the same. So much was this the case, that in 1830, wheat was one price in Britain, another price in France, and another in Dantzic. In the first-named country the imperial quarter averaged 64*s* 3*d*; in France 41*s*, and in Dantzic, only 34*s* 3*d*. In 1837 the same irregular rates were ruling: wheat in Britain was 55*s* 10*d*; in France 41*s*, and in Dantzic 29*s*. All at once, in 1838, the English harvest failed, and the price of wheat advanced promptly to that point which admitted of the continent engaging in the trade. Wheat, and other cereals in proportion, started everywhere to that level which admitted of a mere average profit on the shipping trade. The French, the Flemish and the Prussian laborers now found their little incomes insufficient to provide anything beyond the staff of life; and unprecedented difficulty accompanied a large influx of the precious metals; and some years elapsed before the manufacturing and trading interests regained their former vigorous and healthy state. Difficulty in England then forced English manufactures into every market, irrespective of all protective duties that prevailed, and until that game was played and more propitious seasons had come round, every interest was sacrificed everywhere, in the meting out of a deficient stock of that great necessary for which all will make any sacrifice.

§ 3. Another popular misconception is that known as the theory of the balance of trade; or the means of making a nation rich, and preventing it from becoming poor. This theory is not a modern one, but of very early date, and is based on the assumption that what a nation gives to others, those others have to pay; and what a nation gets, has in the same way to be paid; and the only way, therefore, for a nation to increase in wealth, is to give more than it receives; in other words, to export more to foreign countries than it imports. The difference between the exports and the imports is the balance of trade, and is said to be in favor of or against a country as the exports or the imports may happen to prevail.

The following table gives the aggregate exports and imports of the United States since 1850:

ENDING JUNE 30.	TOTAL EXPORTS.	TOTAL IMPORTS.	DEFIC'T IMPORTS.
1850	$151.8	$178.1	
1851	218.3	216.2	$ 2.1
1852	209.6	212.9	
1853	230.9	267.9	
1854	278.2	304.5	
1855	275.1	261.4	13.6
1856	326.9	314.6	12.3
1857	362.9	360.8	2.0
Totals,	$2,053.7	$2,116.4	$30.0
		2,053.7	
		$62.7	

NOTE.—The total value of the imports from 1789 to June 30, 1856, was $7,297,541,396; and the total value of the exports for the same period, $6,497,541,396, showing, according to the balance theory, that in the foreign trade we have been losing all along.

It is scarcely necessary to observe that the figures in the above export and import table are millions and decimal parts of millions. The figures $151.8 are to be understood as signifying $151,800,000.

The excess of imports for the period is therefore sixty-two million dollars; and according to the theory of the balance, that is the full measure of our loss, in the prosecution of foreign trade for the past eight years. We would be further told, however, that our trade during the past three years had been successful, the balance in our favor being no less than thirty million dollars.

These deductions, we need scarcely say, are not borne out by facts. With respect to the three past years, we are more likely to have lost than gained; and with respect to the five previous years, the probability is, that the trade left us a handsome profit. It is most unlikely that a large increasing inward and outward trade, should be prosecuted for five years without its paying, when capital was abundant and so many ways presented themselves in which money could be made. Then in these three years in which our imports leave a thirty million balance to be drawn against abroad, there is reason to apprehend that the trade was forced, in consequence of the stagnant state of the home demand. Eighteen hundred and fifty-five and subsequent years were, as we have already seen, years of high priced food, and as a consequence years in which agricultural products absorbed an undue proportion of the national income, and left little for investment in manufactured articles, and forced these articles into foreign markets, to be realized promptly at whatever they would bring. The reverse, therefore, of the theory in reality obtains, and the foreign trade of 1850 to 1854, was the period in which advantage was likely to be gained, even although our imports were then so largely in excess.

Foreign trade, like domestic trade, has for its object an increase of those utilities which all desire, and how any increase could be made if we were to receive really less than we really gave, is not easy to understand. If we send a thousand dollars' worth of wheat from Illinois to Liverpool, and it nets two thousand dollars, the thousand dollars' profit which we would receive, would stand against us if the theory of the balance were to be believed; and in the case supposed the nearer we approached to receiving nothing we would be the better off. With that doctrine it would be also difficult to reconcile the utility of a fishing expedition to the Southern ocean, which would possibly involve the receipt of one or two hundred thousand dollars' worth of oil; or a trading

voyage from New York to somewhere else and back, which quintupled the amount of capital originally embarked. Such a theory is therefore quite absurd, and quite unworthy of the intelligence of the present day.

But there is another and more convincing ground of condemnation of this flimsy system, which has so long deluded people, and whose vestiges and spirit are still living in France and other parts of Europe, and to a certain extent among ourselves. That is the utter worthlessness of all statements of exported or imported values. Not the slightest reliability can be placed upon them, and such being the case, all legislative policy so grounded must be erroneous; and all efforts in that kind of way to arrive at the knowledge whether we are making an accumulation or diminution of those utilities known as wealth, are absurd. To make this plain, it is only necessary to inquire into the working of the system of foreign trade. A firm in New York, a firm in Liverpool, and a firm in Havre, agree to engage in the American trade; or what is not unusual, a speculative individual opens in New York as William Jones & Co., in Liverpool as Jones & Co., and in Havre as simple William Jones. To start this triangular kind of system, in a responsible looking sort of way, the New York firm opens a credit with Duncan, Sherman & Co., for the firm in Liverpool; and with the Bank of the Republic for the firm in Havre. The New York arrangements are then in trim. Meanwhile the Liverpool and Havre firms have been at work, credits have been opened in Liverpool with the Royal Bank and the Bank of England, respectively, in favor of the Havre and the New York firms; and in Havre the New York firm is accommodated on a Jew, and the firm in Liverpool on the Bank of France. The circle is now complete, and businesss is started in a spirited and imposing way. Now mark what follows, in nine cases out of every ten. These credits are at once stretched to their utmost limit, and the credit of each firm written besides upon as many bills of lading as can be sold. The principle laid down and acted on is this, that a certain amount is to be shipped and drawn for every month, irrespective of the state