

THE COMMERCIAL PRIMACY OF THE UNITED STATES.

BY EDMUND A. ENGLER.

A frivolous Paris newspaper finds occasion for amusement in the sculptural decorations of the new Custom House Building in New York:

The ornamentation comprises four gigantic allegorical figures in marble, placed in the four corners of the vast building. These figures symbolize the industrial and commercial situation in the four great quarters of the globe.

Asia is represented by an old Oriental apparently at the last gasp.

Africa bows its head, apparently asleep.

Europe is surrounded by symbols of decadence and unmistakably is sick.

Only America stands up in all its robust force, with an air of infinite superiority over its worn-out and anæmic neighbors.

"Truly," says the Paris paper, "he is a facetious Brother Jonathan."

Whether the French joke is warranted by the sculptures in the New York building must be left to the connoisseurs to decide; but one cannot help feeling that this interpretation of them was inspired by a deeper feeling than the sense of the humorous, and may be but another of many expressions which have lately come from foreign sources, of the dread which the young giant of the western hemisphere has inspired in European countries.

Certain it is that the development of the United States in industrial and commercial lines has created alarm abroad, which has only been intensified by the prospect of her growing naval and military prowess. Backed by her

enormous accumulations of wealth, with the productiveness of her soil, the resources of her mines and the genius and superior energy of her rapidly increasing population, and her proven ability to absorb and assimilate the hordes of immigrants which are continually flocking to her shores, the rapid development of the United States is regarded everywhere abroad as a distinct menace.

A year ago in Boston Mr. John A. Hobson, the English economist, in a lecture on the industrial situation in England said:—

“The nineteenth century might well stand in history as England’s century. She had risen to commercial power greater than any other which the world had seen; her empire extended to one-fifth of the habitable area of the globe; her wealth was unexampled; half the ships on the seas were hers. While Continental Europe was devastated by Napoleonic wars there was peace on her own soil, and this was precisely the period when the powers of coal and iron were becoming recognized and utilized. Both lay together in her borders, and she had the start of all the world in the industrial age. At the close of the century, however, England did not lead the world in the application of steam and electricity as she had led it otherwise two generations ago. England, herself, was flooded with articles ‘made in Germany’ as a result of the recent industrial development of Germany, remarkably promoted by wise technical education.

“There was also ‘the American invasion’; Rockefeller supplied England with oil; Yerkes gained control of London transportation; Morgan reached out his hand for English steamships. All along the line England was feeling this pressure, which was a cardinal factor in the industrial situation.”

How different the tone of this from that of Sydney Smith in 1820, when he wrote in the “Edinburgh Review”:

“In the four quarters of the globe who reads an American book? Or goes to an American play? Or looks at an American picture or statue? What does the world yet owe to American physicians or surgeons? What new sub-

stances have their chemists discovered? Or what old ones have they analyzed? What new constellations have been discovered by the telescopes of Americans? What have they done in mathematics? Who drinks out of American glasses? Or eats from American plates? Or wears American coats or gowns? Or sleeps in American blankets? Finally, under which of the old, tyrannical governments of Europe is every sixth man a slave whom his fellow beings may buy, and sell, and torture? When these questions are fairly and favorably answered their laudatory epithets may be allowed; but till that time we would seriously advise them to keep clear of superlatives."

As some of the questions which Sydney Smith propounded three-quarters of a century ago can now be fairly and favorably answered we have his permission to indulge in a few superlatives.

Without attempting to give answer in detail, it is now to be recognized that the exports of American products have multiplied to such an extent that they are characterized in foreign countries as a "commercial invasion" which has become a real danger to foreign producers. A recent writer in London has stated that the growth of American trade is one of the wonders of the commercial world and has created general alarm abroad. It is a favorite topic for enthusiastic American writers and foreign alarmists. Commercial alliances and reciprocity treaties are occupying the minds of America's rivals and America's best customers, and to cap the climax comes the bold suggestion of Mr. Carnegie, in his Rectorial Address delivered in St. Andrews University, Scotland, something over a year ago, that "Europe will labor in vain to repel the American invasion until she secures some form of political and industrial union and becomes one united whole as the American Union is in these respects, as this is the only foundation on which she can contend successfully against America for the trade of the world."

This anxiety abroad leads us to inquire what precisely are the causes which have brought about the American invasion; what precisely is meant by the commercial prosperity of the United States which has given her the supremacy of which European nations complain; what are the prospects of a continuance of this prosperity.

Mr. Oscar P. Austin, Chief of the Bureau of Statistics of the United States Treasury Department, in a paper based upon the results of the recent census, attempts to answer these questions. His argument is as follows:—

“Of the thirty principal nations of the world only a dozen show an excess of exports over imports, and of this dozen not only does the United States stand at the head, but the excess is greater than that of all the other eleven countries of that group combined.

“The twelve countries showing a ‘favorable balance of trade’ are: Argentina, Australia, Brazil, Canada, Chili, Egypt, India, Mexico, Roumania, Russia, Uruguay, United States; and the ‘favorable balance’ of all the other eleven combined is not as great as that of the United States alone.”

The cause of the prosperity of the United States is, in a word, her industry as shown by her products. Since 1869 she has more than quadrupled the number of miles of railway in operation; she has doubled the production of corn, wheat and wool; and nearly tripled the production of cotton; has increased the production of pig iron from less than 2,000,000 to more than 15,000,000 tons; of steel from less than 100,000 tons to over 13,000,000 tons; of coal from 38,000,000 to 292,000,000 tons. The clearing-house exchanges of New York are now almost double those of 1869. The number of persons engaged in manufacturing has grown during this period from 2,000,000 to over 5,500,000; their earnings have been almost quadrupled; the capital employed has grown from 2 billions to 10 billions; and the value of manufactures produced from 4½ billions

to 13 billions of dollars, which is about three times the value of Great Britain's manufactures. All this in a short period of thirty years, while the population has been increasing 100%.

The per capita value of exports was more than doubled from 1869 to 1891; the value of agricultural products almost quadrupled, and the value of manufactures increased almost tenfold. The United States has advanced from the fourth place in the list of exporting nations in 1870, to the head of the list. In 1870, England, Germany and France exceeded us. Since 1870 the increase in the exports of the United States has been nearly as much as that of France, Germany and the United Kingdom combined, and our exportation of domestic products now exceeds that of any other nation.

In the five great requirements of man,—food, clothing, heat, light and manufactures, as analyzed by Mr. Austin,—the United States is the largest producer, and as the world is to continue demanding these articles indefinitely we may assume, he thinks, that the market is to continue, and the question as to whether we are to continue selling our products in that market depends largely on ourselves.

Mr. Austin points out that to turn the natural products of the fields, forests and mines into marketable form and to transport them to that market requires invention, communication, transportation, finance and energy. Of all these it may be said that the United States has a greater supply than any other nation. It is to the invention of the steam-plough, the self-binder, the steam-thresher, the cotton-gin, and numerous devices for performing by machinery that which was formerly accomplished by hand labor, that our agriculturists have brought themselves to the foremost place. The activity of the American inventor is shown by the fact that the number of patents issued in the United States since 1870 is half as great as those issued in all the rest of the world during that period. Power

of communication is another factor of equal importance, and in this the United States leads. We have more miles of railway than all of Europe put together, six times as many miles as any other country, and two-fifths of the mileage of the world. We have twice as many miles of telegraph as any other country. In the number of telephone messages sent the United States surpasses the total for all Europe combined. Of post-offices we have twice as many as any other country; the number of pieces of mail handled in the United States is greater than in all Continental Europe, while of newspapers we have twice as many as any other country, and more than one-third those of the entire world. In transportation we easily lead. In river and lake transportation by steam vessels our facilities are far greater than those of any other country; and our freight rates have been steadily lowered until they are now about one-third those of 1870, and lower than in any other country.

The population of the United States is formed of a combination of selected energy from the whole world. The energy and determination which prompted the early settlers of America to leave their firesides and friends in Europe and to overcome the hardships and dangers of establishing homes for themselves in the new world surely mark them as above the average in the possession of this characteristic; and this is also true of a large share of the twenty millions who have come to us during the past century. Not only have they made valuable citizens, but their intermingled blood flows in the veins of a large share of the present population and with it an energy which, guided and vitalized by the work of our educational system, must tell for the future prosperity of the country.

Mr. Austin thinks that neither past experience nor a knowledge of the situation would justify the belief that our products are to be excluded from foreign markets by European combinations against the United States.

The United States produces one-fifth the wheat, one-half the meat, which enter into international commerce, three-fourths of its corn, and three-fourths of its cotton. Of all these Europe must import large quantities. The effect of a refusal by Europe to purchase our wheat or corn, meat or cotton, would be the exclusion from the world's principal markets of three-fifths of its present importation of wheat, one-half of its importation of meats, three-quarters of its importation of cotton, and nearly all of its present importation of corn.

Mr. Austin ends his interesting analysis with the conclusion that a country which produces more of all the great requirements of man than any other country, which has unlimited power to transform the natural products into condition for consumption and to transport them to market, and which has a market whose requirements are constantly increasing, would appear justly to anticipate a continuance of prosperity.

United States Comptroller William B. Ridgeley, in his annual report of a year ago says:

"The banking power of the world in 1890, that is, capital, surplus, profits, notes issued and deposits as stated by the late L. G. Mulhall, was £3,197,000,000 divided as follows:

United Kingdom	£910,000,000
Continental Europe	1,037,500,000
Australia, Canada, Cape Colony, Argentina and Uruguay	220,000,000
United States	1,030,000,000"

From statistics published by the *London Chronicle* in June, 1902, and incorporating the most recent returns from the savings banks of the United Kingdom, the banking power of that country is shown to be £1,206,000,000, an increase of 32½% since 1890.

The capital, surplus, profits and circulation of all the banks in the United States are definitely known, and from the reports obtained from the Comptroller of the Currency,

national banks, state officials, and from the banks direct, deposits of over 77% of the banks in operation are obtainable. The deposits of the other 23% of the banks have been carefully estimated from data at command relative to the former, and give the aggregate banking power of the United States as £2,487,000,000, or an increase of over 100% since 1890, which is more than twice the banking power of the United Kingdom and nearly one-half the aggregate banking power of the world.

This proud position has been the direct result of the industry of the people, to which is attributable also the individual and collective wealth of the nation; and this prosperity has made possible the large advance in intellectual, philanthropic and benevolent enterprises for which the nation has become pre-eminent.

But even supposing that Mr. Austin's prognostications as above outlined are not to be realized in the future, it does not necessarily follow that the prosperity of the United States will be diminished. In his Rectorial Address above referred to, Mr. Carnegie says:

"It seems clear that the spread of manufactures will be so general that the leading nations will finally supply most of their principal wants, at least to a much greater extent than hitherto. It follows that the exchange of articles between nations—foreign commerce—is not to increase as rapidly as exchange of articles within nations,—home commerce The relative importance of the two markets is often lost sight of. The home market of America takes 96% of all manufactured articles, only 4% going to foreign markets. Even Britain's home market takes four-fifths of her manufactures, only one-fifth going abroad."

An illustration of the relation of production to home consumption and foreign consumption is to be found in the report concerning the production of American locomotives in the year 1900. The number of American locomotives exported in that year was 525 against 161

ten years before. The value of these exports was \$5,500,000 in 1900, and \$1,250,000 in 1890; but it must not be supposed that these figures represent the increase in the production of locomotives, for in 1900 the number of locomotives constructed in the United States was 3,046, worth \$30,000,000, but only one-sixth of that number was exported, the other five-sixths being required on our railroads.

Again, to use an illustration the other way around, "One would think," says a recent writer, "from the statements of partly informed enthusiasts and by the multiplicity of American signs and advertisements in London that all Englishmen, their wives, their sons and their daughters, were wearing American shoes, whereas American goods really constitute less than 1% of the boots and shoes used in the United Kingdom. This 1% is a large trade, but it does not mean, as some people seem to believe, that the British manufacturer is being driven from the field, or that British plants are idle. The fact of the matter is that with the exception of agriculture and one or two minor industries, England's domestic and foreign trade was never larger, wages so high, work so plentiful, or, in fact, her entire people more generally prosperous than they are today."

"Happy country," says Mr. Carnegie, "whose steel builds railroads, ships and other structures in its own territory; it is not what is exported, but the amount produced that shows a country's condition, and what is not exported, but put to profitable use at home, is doubly profitable."

Forty or fifty years ago, Great Britain on account of her profitable home market was able to furnish the rest of the world with her manufactured articles at prices with which none of them could compete. This position the United States now in turn occupies towards Great Britain and other manufacturing countries, since it has the greatest and most profitable home market. That her home market

is likely to continue may be inferred from the probable increase in the population. There are today 78,000,000 of people in the American Union. During the last decade she has added 13,500,000 to her population. This decade she will add more than 15,000,000; Germany's population is 56,000,000 and she added 5,500,000 during the last decade; the increase of the United Kingdom was 3,600,000. It is a serious disadvantage to Britain in the contest that her home market cannot expand as rapidly as the American or even the German.

Of the other nations, Mr. Carnegie thinks that Russia must in the future hold a distinguished place; but it will be in the future. Though her production of iron has doubled in the last twelve years, of coal nearly tripled in the last twenty years, it is not likely that she will be able to do much more than supply her own chief wants, and these will be to a large extent additions to the present world's demands.

France will no doubt continue to occupy the position she now occupies and to furnish the world for a long time to come with those products which possess the artistic quality as their main attraction, and so long as her people remain so industrious, frugal and free from the vices of other lands,—gambling and drinking,—so long her position is secure. But it is not likely that in the race for commercial supremacy she will ever occupy a more prominent position than she now does.

While Canada is likely to advance in the not distant future, it is not likely that she will ever be able to compete with the United States so long as the latter, with its unequalled home market, is able to sell its surplus to Canada cheaper than Canada can possibly produce; and Australia, India, China, Japan and South Africa have as yet scarcely entered the race, even in the second place. While they will all no doubt increase the amount and value of their agricultural and manufactured products, it is not likely

that any of them will prove a serious competitor of the United States within a period for which prognostication can now be made.

If this be the correct point of view it is probable that in the contest of the future, England and Germany are the only two countries which the United States will need to consider in the race for supremacy. Germany has lately forged ahead, has already surpassed Great Britain in her production of steel, and promises to run her close to second place as a manufacturing nation. But her soil is relatively poor and it does not seem likely that she will ever be able to overcome the enormous lead which the United States already has over her in the race.

But besides the causes already enumerated, which tend to give the palm to America in the race for the world's supremacy, there are certain internal causes which are tending to handicap her greatest rival, Great Britain. Among these perhaps the most important are the drink habit, gambling and the want of proper education.

The agricultural situation in England is certainly gloomy. The country is able to create but a small portion of its food supply, depending largely upon the outside world. The condition of the agricultural laborer is a most hopeless one and the country is now largely deserted, 70% of the people living in large towns. The drink habit is a terrible curse to the country, one-fourth of the income of the working classes going for drink. Gambling in sports has become a national vice and is equally consuming, and the extent of it is surprising and appalling.

A special sub-committee of the technical education board of the London County Council has recently come to the conclusion that "various branches of industry have during the past twenty or thirty years been lost to Great Britain owing to the competition of foreign countries; that in many others her manufacturers have fallen seriously behind their foreign rivals; and that these losses are to be attributed

in no small degree to the superior scientific education provided in foreign countries." Reference is made specifically to the loss of chemical, optical and electrical industries; and the committee is convinced that the main causes of British failure in all these are the following: "(A) Lack of scientific training of the manufacturers themselves, and their consequent inability to recognize the importance of scientific assistance; (B) The defective condition of secondary education and the consequent lack of sufficiently prepared recruits for advanced technological training; (C) A lack of a sufficient supply of young men who have been trained, not only in scientific principles and method, but also in the application of science to particular industrial processes; (D) Lack of any institution providing advanced technological training which is sufficiently equipped and endowed to enable it to give adequate attention to post-graduate or advanced work."

The President of the British Association for the Advancement of Science, in an address given at Belfast in September, 1902, after deploring the loss of various chemical industries of Great Britain on account of German competition, and after a comparison of the relative condition of chemical industries in England and Germany, says, "Now, what is the explanation of this extraordinary and distressing phenomenon? I give it in a word, want of education! We had material in abundance when other nations had comparatively little; we had the people and the brains, for we originated the whole thing, but we did not possess the diffused education without which the ideas of men of genius cannot fructify beyond the limited scope of an individual." To his mind "the really appalling thing is not that the Germans have seized this or the other industry, or even that they have seized upon a dozen industries; it is that the German population has reached a point of general training and specialized equipment which it will take Great Britain two generations of hard and intelligently

directed educational work to attain. It is that Germany possesses a national weapon of precision which must give her an enormous national advantage in any and every contest depending on disciplined and methodized intellect."

The Moseley Commission in a report of its recent visit of investigation to the United States said, "The American manufacturer is distinguished from his English competitor by an almost feverish eagerness to obtain the latest improvements in machinery. He does not hesitate to put in the latest machinery at whatever cost, and from time to time sacrifices large sums by scrapping the old whenever improvements are brought out. As the introduction of labor-saving machinery is not used to cut down wages, such a policy meets with hearty co-operation from the workman; . . . every hand in the factory, man or boy, woman or child, is constantly striving to discover some improvement upon the existing régime, simply because it means profit to themselves. This is very different from the ordinary state of affairs in England."

In the appendix to the report of the Moseley Commission there is an interesting paper dealing with the causes that have contributed to the enormous expansion of manufacturing industries in the United States.

"The operation of the tariff apart, these causes may be assigned as follows:—

"1st, The enormous coal resources of the United States, coupled with the rich deposits of iron ore.

"2nd, The readiness of the manufacturer to adopt labor-saving devices.

"3rd, The largeness of scale, with its resultant economies, on which manufactures are carried out.

"4th, Similar economies (such as the use of heavier train loads) in internal transport.

"5th, The attitude of the workmen to labor-saving devices and the general questions of standardization of wages and methods of remuneration."

The lesson taught by England's experience has not, let us hope, been lost upon the United States. She has profited and will in the future still more profit by Germany's example, which England failed to heed. The great sums already devoted to education in this country can have no other meaning, and all signs indicate that the expenditures for this purpose in this country have only begun. "Prosperity," Bacon has said, "discovers our vices, adversity our virtues."

Whether we as a nation shall be able to endure prosperity or whether we shall succumb under the burden of our wealth; whether we shall be able to assimilate in the future, as we have done in the past, the large and ever increasing increment to our population by immigration from foreign shores, and make of it an integral and valuable asset for our own intellectual and industrial progress; whether our own people possess the virility in mind and body which will tend to material and intellectual advance in the years to come,—these and many other questions are problems for the future. Much depends upon whether we shall be able to preserve the moral qualities which characterized our forefathers.

But it must not be supposed that the supremacy which has already been achieved has been achieved by any deliberate purpose of ours. We have come into our inheritance through causes over which we had little control, by the operation of great economic laws which are as inexorable as the laws of nature, if indeed they may not be classed as such.

The certainty that the United States would supersede Great Britain has long been foreseen by thoughtful British statesmen. Conspicuous among these was Mr. Gladstone, who as early as 1878 expressed both his conviction as to the inevitableness of the change and his view as to the way in which it should be regarded by Great Britain. "It is America," he said, "who will wrest from us that

commercial primacy. We have no title. I have no inclination to murmur at the prospect. If she acquires it she will make the acquisition upon the right of the strongest; but in this instance the strongest means the best. She will probably become what we are now,—the head servant in the great household of the world, the employer of all employed because her service will be the most and ablest. We have no more title against her than Vienna, Genoa or Holland had against us.”

“Nations, like men,” to quote again from Mr. Hobson, “are apt to measure themselves and others by different standards. The prosperity of others is commonly attributed to adroitness or good luck, and our own to fidelity and virtue. Nations are slow to learn for themselves the lessons of history, and to recognize that laws which have worked inexorably in other cases work so in their own.”

“Great economic and social forces,” says John Morley, in his *Life of Cobden*, “flow with a tidal sweep over communities which are only half conscious of that which is befalling them. Wise statesmen are those who foresee what time is thus bringing and endeavor to shape institutions and to mould men’s thoughts and purposes in accordance with the change that is silently surrounding them.”

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