

Cushing, John Pearson:
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the commercial policies
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THE DEVELOPMENT
OF THE
COMMERCIAL POLICIES OF THE UNITED STATES

BY
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PREFACE.

TO MY FATHER.

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PREFACE.

It is the purpose of this dissertation to show the development of the commercial policies of the United States. In the first chapter are portrayed the commercial relations of the colonies to the mother-land. In the three chapters following are discussed the policies of Retaliation, Freedom of Commerce and Navigation, and Modern Reciprocity. The first chapter closes with the commercial treaty of 1815; the second covers the period from 1815 to the present; and the third contains a brief historical introduction, covering the time from the Panama Congress to the present day. Properly speaking, the policy of Retaliation was not given up in 1815; but it seems best to make that date prominent, as it was then that the famous Navigation Acts of England received their first hard blow. I have used the words "*Modern Reciprocity*" as the title of the third chapter, in order that the difference between the Reciprocity of today and the Reciprocity of 1815 may not be lost sight of.

I take this opportunity of expressing my gratitude toward those Professors of the University of Leipzig, with whom I have come in contact, for the interest they have taken in my work, and for the friendly advice and assistance they have given me. I wish also to acknowledge my indebtedness to Mr. W. E. Curtis, formerly Director of the Bureau of American Republics, Mr. W. I. Fleteber, Librarian of Amherst College, and Mr. Edw. Maunde Thompson, Librarian of the British Museum, for special favors shown me.

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INTRODUCTION.

During a greater part of the seventeenth and eighteenth centuries, many of the nations of Europe were engaged in a race for the possession of new lands. Adventurous navigators made many discoveries; colonists left their homes and established themselves in these newly-found lands; and the European nations were soon in the possession of colonies which they proceeded to govern in the most arbitrary manner. "From the earliest settlement of the different colonies on the North American continent by the governments of the old world, a system of colonial legislation, similar in effect and oppressive in operation, was commenced by each respectively, prohibiting all commercial intercourse with any other than the mother country and rendering the infant colonies dependent on her alone for the supplies necessary for their subsistence and support¹⁾." England's policy was no more severe than was that of other lands; indeed, one writer remarks, "What would have been it's (the United States') situation if peopled by some other nation of Europe, is apparent from the state of the Spanish colonies"²⁾. According to England's policy, the colonies were to be made helpful and useful to the mother-land; all the riches of the colonies were to be turned toward making England strong; and above all things, the competition of the colonies in matter of trade was not to be tolerated.

1) Senate Executive Document, No. 107, 34th Congress, 1st session, Vol. I, p. 47.

2) WARDEN: U. S. of North Am., vol. I, p. XVIII; also CUNNINGHAM: Growth of Eng. Industry and Commerce, chapters VII and VIII.

Incident to this colonial policy which England, as well as other European countries, adopted, there arose many international grievances and disputes. And it is not to be wondered at that the interests of the various countries conflicted. Notably in the East Indies, the English and the Dutch, in their rival endeavors to advance the power of their respective countries, frequently met in conflict. To protect their trade against the advances of the Dutch, the English passed many laws; and it often happened that the colonies in America were made to feel the oppression of this English legislation. Although "the origin of the Navigation Acts of England may be traced to Richard II or perhaps to a more remote period", the famous Navigation Act framed by Cromwell in 1650 and afterwards added to by Charles II is generally regarded as the first of these oppressive measures¹). Cromwell's law aimed to keep foreign ships out of English colonies; and a supplementary law in 1651 restricted the imports into England to those commodities brought in English ships, or in the ships of that country of which the goods were the produce. Charles II followed the policy outlined by Cromwell and required that the master and $\frac{3}{4}$ of the seamen should be English subjects²); and also that the vessels should be English *built*³). Another act was that which divided the produce of the colonies into two parts; certain *enumerated articles*, (sugar, cotton, wool, tobacco, rice, &c.) forming one part, could not be carried to any land but England; the other articles of colonial export could be carried to any port south of Cape Finisterre, to any port of Spain in the Bay of Biscay and to any of the British colonies in America⁴). The preamble to the act 15th Car. II is here given, as it shows the policy which then prevailed in England respecting distant colonies:—"And in regard His Majesty's plantations beyond the seas, are inhabited and peopled by his subjects of this his

1) WARDEN: III, p. 280; HOMANS: Cyclopaedia of Commerce, p. 1393; LALOR: Cyclopaedia of Political Science, II, p. 970; BISHOP: History of American Manufactures, I, pp. 87—92, 325—328, 285, 303.

2) 12th Car. II, c. 18.

3) 15th Car. II, c. 7.

4) 12th Car. II, c. 18, §§ 18 and 19. 15th Car. II, c. 7, § 9: also WARDEN: III, p. 282.

Kingdom of England, for the maintaining a greater correspondence and kindness between them, and keeping them in a firmer dependence upon it, and rendering them yet more beneficial and advantageous unto it, in the further employment and increase of English shipping and seamen, vent of English woollens, and other manufactures and commodities, rendering the navigation to and from the same more safe and cheap, and making this Kingdom a staple, not only of the commodities of these plantations, but also of the commodities of other countries and places for the supplying of them, and it being the usage of other nations to keep their plantation trade to themselves, Be it Enacted", &c.¹⁾

Although these laws had for their principal object the crushing of the Dutch, they bore with severity upon the American colonies. But the colonists, who as early as 1640 had made a start in shipbuilding, manufacturing and commerce, paid a total disregard to the laws of 1650-1663, so that the jealousy of English merchants was aroused, and their complaints and petitions to Parliament were numerous²⁾. In 1672 an act of Parliament was passed imposing on the transit of "enumerated articles" from colony to colony the same duties that were payable on the introduction of those articles into England³⁾. This blow at a most profitable trade had apparently little effect; for in 1675, 1677 and 1680 there arose numerous complaints of the English merchants that the colonists were disobeying the law; and, as a consequence, new officers were sent to the colonies to try to carry out this obnoxious measure⁴⁾. In Massachusetts the people refused to recognize the newly-appointed collector and erected an office of their own⁵⁾; in Maryland neither Lord Baltimore nor the planters were at all zealous in enforcing the new laws or scrupulous about evading them⁶⁾. Some of the colonies attempted to retaliate upon Eng-

1) PITKIN: Statistical View of the Commerce of the U. S., p. 3.

2) HOMANS: p. 386; HILDRETH: History of the U. S. of Am., I, p. 270; SEYBERT: Statistical Annals, p. 57.

3) HILDRETH: I, pp. 476-7; Ex. Doc. 107, vol. I, p. 48; BANCROFT: History of the U. S., II, p. 284.

4) HILDRETH: I, pp. 495-500.

5) Ibid.: p. 500.

6) Ibid.: pp. 571-2.

land by establishing manufactures; but upon complaint of English merchants, these enterprizes were crushed by orders of the King in council¹⁾. This strained condition that existed between the mother-land and the colonies did not improve in the 18th century. The colonists evaded the laws; the English merchants renewed their complaints; and the colonists were subjected to still further laws.

In 1699 Parliament declared "that no wool, yarn or woollen manufactures of their American plantations should be transported from thence to any place whatever"²⁾. In 1719 the House of Commons declared, "that the erecting of manufactories in the colonies tended to lessen dependence upon Great Britain"³⁾. Act 5 of George II in 1732 was an act to prevent the colonies from making and exporting hats. "For the better securing and encouraging the trade of His Majesty's sugar colonies in America", by Act 6 of George II, chapter 13 (1733), the following duties were laid:—9 pence on the gallon of rum, 6 pence on the gallon of molasses and 5 shillings on the hundred-weight of sugar. This act, odious especially to Massachusetts, could not be enforced; and although it was afterwards modified, payment was generally avoided⁴⁾. In 1750 by the 23d of George II, the importation into England of pig- and bar-iron was encouraged, and the erection of iron-mills and furnaces in the colonies, discouraged⁵⁾. The Board of Trade and Plantations, established in 1696 and holding to the Revolution, was created to satisfy the complaints of the English merchants; but that this Board failed in its government of the colonies, according to English ideas, can be seen in the fact that these merchants did not cease making petitions. In 1731 they complained of the obstacles to the recovery of debt, of frauds perpetrated by excessive paper issues, of colonial duties imposed on British ships, of discriminations in favor of colonial ships and of the extension of manufactures in America; in 1743, of illicit trading with the Spaniards and in 1760, of illicit

1) Ibid.: pp. 566—572.

2) PITKIN: II, p. 461.

3) Ibid.: II, p. 461.

4) PITKIN: I, pp. 10—11; North Am. Review, vol. 52, p. 299.

5) PITKIN: I, p. 11; BANCROFT: II, p. 521; III, p. 42.

trading with neutral ports¹⁾. It was evident that the colonists were disregarding the laws, and England was unable to punish the offenders²⁾.

But during all this period of repression, while England desired to keep for herself not only the commerce but also the manufactures of the world, the colonies had made a decided advance³⁾. Trade with the mother-land had increased in spite of obstacles. The trade of the colonies with one another had proven profitable⁴⁾. And the colonists had shown more or less commercial activity in another direction, namely—smuggling⁵⁾. This was the natural consequence of the Navigation Laws; and it should be borne in mind to what an extent this illicit trade had grown, and the opinions held by the colonists regarding it. "Few of the colonial merchants felt scruples at violating those restrictions whenever they could without danger of detection"⁶⁾. Nine-tenths of the colonial merchants were smugglers, and one-fourth of the signers of the Declaration of Independence were engaged in contraband trade⁷⁾. Their ships were in Spanish waters, in French waters, in Indian and Chinese waters; they could be found all over the world. *Blanchi* declares that but for smuggling all trade would have perished⁸⁾.

These last statements force the conclusion that it is a difficult matter to get the correct statement of the commerce of that time⁹⁾. So much of the trade was irregular, illicit, not entering or clearing according to law; that the figures that are given must necessarily be incomplete. Some writers recognize this fact and try to estimate the illicit trade¹⁰⁾. The following figures are given:

1) HILDRETH: II, pp. 197, 351, 384, 498.

2) YEATS: Commerce, III, p. 275.

3) Ex. Doc. 107, I, p. 47; Lord Chatham said that the British American colonists had no right to make even a nail for a horse-shoe.

4) Ex. Doc. 107, I, p. 48.

5) HILDRETH: II, p. 438.

6) HILDRETH: II, p. 430.

7) WINSOR: Narrative and Critical History of America, V, p. 138; WELLS: Our Merchant Marine, p. 5; HILDRETH: II, 384; Ex. Doc. 107, I, p. 160.

8) Lalor: III, p. 972.

9) WARDEN: I, p. XLVII; PITKIN: p. 17.

10) HILDRETH: II, p. 213.

English Imports | English Exports
from | to
The Colonies now the U. S.

Yearly Average		
1700—1710,	£ 265,783	£ 267,205
1710—1720,	392,653	365,615
1720—1730,	578,830	471,342
1730—1740,	670,128	660,136
1740—1750,	708,943	812,647
1750—1760,	802,691	1,577,419
1760—1770,	1,044,591	1,763,409
1770—1780.	743,560	1,331,206 ¹⁾ .

These figures refer only to the trade between England and the Colonies. The rest of the trade in which the colonies indulged, partly illicit, was about as much as this trade above-mentioned with England. For the year 1769 the total colonial imports were £ 2,623,412, the exports, £ 2,852,441²⁾.

This colonial period was one in which the spirit of Monopoly reigned supreme. The large licensed companies of the maritime states of Europe were sometimes more powerful than the governments that created them. "All the European wars, from the peace of Utrecht to the outbreak of the great Continental war, were waged on behalf of monopolies of commerce or monopolies of market"³⁾. And in this struggle between English monopolies and American enterprize and cunning, there came a time when the colonists could no longer evade the laws. Rather than submit, they fought⁴⁾; and as a result of that contest, styled the War of American Independence, the former colonies became the United States of America. During the war, commerce was nearly destroyed, manufactures crippled, credit well nigh gone; and in 1783 the new nation was confronted with many problems⁵⁾.

1) PITKIN: p. 15 (quoting Lord SHEFFIELD); also, see WARDEN: I, p. XLVII; SEYBERT: pp. 5, 284; HILDRETH: II, p. 329.

2) SEYBERT: p. 284; HILDRETH: II, p. 213.

3) ROGERS: Economic Interpretation of History, p. 110.

4) BASTABLE: The Commerce of Nations, p. 45.

5) SEYBERT: p. 57.

CHAPTER I.

RETALIATION.

There was but one article (Art. VIII) in the treaty of 1783 between Great Britain and the United States that related in any way to commercial intercourse¹). By that article the navigation of the Mississippi river was to be ever free and open to the subjects of Great Britain and the citizens of the United States. That the Americans desired a reciprocal commercial agreement is seen in the fact that Jay, one of the American commissioners, urged that point; but the English commissioners refused to grant this on the ground that the ministry had no authority to interfere with the Navigation Act²). It was not until eleven years later that England would listen to any proposals that might bring about better commercial intercourse between herself and the United States³). Although the new nation had signed treaties in 1778 and 1782 with France, and in 1782 with the Netherlands, these were treaties more of alliance and friendship than of commerce; and France, Spain and Portugal declined, as did England, to enter into commercial treaty relations with the American government⁴). But the policy favored by Jay found some friends in England. Pitt, in 1783, labored to bring about free trade between the English possessions and the United States; but his efforts were defeated and he was compelled to resign the leadership of the English government⁵). The opposition in coming to power caused the old navigation laws to be enforced; and whatever relaxation had been permitted in the operation

1) *Treaties and Conventions* of the U.S., Sen. Ex. Doc. 47, XLVIII Cong., 2 Sess., p. 378.

2) FISKE: *Critical Period of Am. History*, pp. 26—7.

3) *Treaties and Conventions*: pp. 296, 307, 309, 310, 749, 759; Ex. Doc. 107: I, p. 9.

4) SEYBERT: p. 58; Ex. Doc. 107: I. p. 9. *Zeitschrift für die gesammte Staatswissenschaft*. XXXV. Bd. (Adams, H. B.: *Zur Geschichte der Besteuerung in den V. St.*) p. 322.

5) FISKE: p. 136; PITKIN: II, pp. 189—190.

of these laws in the colonies, the United States on assuming an independent existence became subjected to them in all their rigor¹⁾. Orders in Council restricted commerce with British possessions in America to products or manufactures carried in British ships and navigated by British subjects²⁾.

Against the unfriendliness or apathy of continental nations and the discriminations or hostility of England, the United States were unable to retaliate³⁾. The form of government that prevailed from 1783 to 1789 proved to be insufficient to care for the interests of the new nation; and *Fiske* has well portrayed in his "Critical Period of American History" the record of that time. From the close of the Revolutionary War to the adoption of the constitution, there was no strong central government. "No uniformity or system prevailed among the states; and their commerce was consequently exposed to the utmost uncertainty, fluctuation and loss"⁴⁾. Between 1783 and 1789, New Hampshire, Massachusetts, Rhode Island, Pennsylvania, Maryland, Virginia, North Carolina, South Carolina and Georgia passed laws operating against British Ships; but as these laws were not uniform, and as the discriminating duties laid against British cargoes varied from 50 to 100 per cent, it is easy to see how some states gained at the expense of others⁵⁾. It was at this period that the port of New York received a great impetus; and the reason lies in the fact that New York put a tonnage duty of 4 pence per ton on foreign vessels; while Pennsylvania put 8 pence, Maryland one Shilling and Virginia 4 shillings per ton on British vessels⁶⁾. It was impossible to contend against foreign obstacles while there was so much jealousy and rivalry among the states; and while "each of the 13 independent sovereignties contemplated their own immediate interests"⁷⁾. If these facts are borne in mind, — that the states were constantly struggling with one another,

1) 23 George III. chapter 26; Ex. Doc. 107, I, pp. 5—6; HILDRETH: IV, p. 136.

2) FISKE: pp. 138 et seq.; Ex. Doc. 107: I, pp. 6—7.

3) FISKE: p. 138.

4) HOMANS: p. 387.

5) Ex. Doc. 107: I, pp. 7—8.

6) PITKIN: II, pp. 346—7.

7) SEYBERT: p. 57.

that they were deprived of a profitable West Indian trade, that they suffered restrictions in the direct trade with England, that they were regarded with jealousy by France and Spain: — what wonder is it that but little progress was made at this time¹⁾? The fisheries, broken up by the war, had not been re-established. The French, British and American armies no longer called for the products of agriculture. English manufactures, subject to little or no duty and sold at peace prices, crowded from the market American goods which formerly, owing to the measures of war, had found ready market. The country was flooded with these imported goods; debts were unwarily contracted; and there were no means at hand by which these obligations could be paid. It was a period of debt, inflation and bad times²⁾.

Following this Critical Period came the adoption of the Constitution and the inauguration of the present form of federal government. As Article I, section 8 of the Constitution gave congress power "to regulate commerce with foreign nations, and among the several states, and within the Indian tribes", it became necessary for the leaders in power to formulate some commercial policy. Jefferson, in a report to the House of Representatives, Feb. 23, 1791, advocated a free commerce with every nation; and that "instead of embarrassing commerce under piles of regulating laws, duties and prohibitions, it should be relieved from all its shackles in all parts of the world"³⁾. Not three years later, on Dec. 16, 1793, he modified these views, recommending either countervailing duties or friendly arrangements⁴⁾. Hamilton desired to treat all nations as they treated us and to bury the past which should not be allowed to hamper the new government⁵⁾. It was due to Washington's judgment that the foreign relations of the United States were established as they were⁶⁾. Before he had been elected President he wrote:

1) LODGE: Alexander Hamilton, p. 155; Ex. Doc. 107: I, p. 49.

2) LIST: Das nationale System der politischen Oekonomie, pp. 155—169; MAC MASTER: History of the people of the U.S., I, ch. 3; SEYBERT: pp. 57—8; PITKIN: pp. 25—33; HILDRETH: III, p. 466.

3) SEYBERT: p. 59.

4) *Report of the Comm. on the Commerce and Navigation of the U.S.:* (1830) pp. 50—51.

5) LODGE: Alexander Hamilton, p. 157.

6) LODGE: George Washington, p. 213.

"I hope the United States of America will be able to keep disengaged from the labyrinth of European politics and wars.... It should be the policy of the U. S. to administer to their wants without being engaged in their quarrels"¹⁾. Hamilton, considered by some the ablest man in the cabinet, had much influence upon Washington; and the commercial policy adopted by the government was based largely upon his recommendations. Jay's free trade proposals of a few years before were set aside; and the United States embarked upon a policy of Retaliation.

Although in the Senate Executive Document 107, xxxiv Congress, 1st session, volume 1, page 9, it says: "The commercial policy of the U. S. from the very infancy of the government has been to encourage reciprocity and freedom of commerce with all nations willing to adopt a similar principle"²⁾; and although Homans repeats the same idea; it may be seen that at the beginning of our government there was very little reciprocity and very much retaliation. The United States had entered into commercial agreements with Sweden and Prussia, but other nations would not agree upon reciprocal relations³⁾. In addition to the numerous tariff acts from 1789 to 1793, all of which offered some protection to American commerce, the navigation law of July 20, 1790 laid especially heavy burdens upon foreign shipping⁴⁾. This law imposed a duty of six cents per ton on vessels of American build and ownership, entering any American port from any foreign country. Upon all vessels built in America but owned abroad, the duty was 30 cents per ton; and 50 cents per ton on all other vessels⁵⁾. By the tariff act of August 10, 1790, the so-called "discriminating duties" were levied. This act provided that a duty of 10% additional on all the rates of duty imposed on merchandise imported in American vessels by the Act of Aug. 10, 1790, should be col-

1) Ibid.: pp. 130—131 [In later years Monroe's name was given to this doctrine].

2) HOMANS: p. 389.

3) *Treaties and Conventions*: pp. 899, 1042, 1050.

4) Ex. Doc. 107: II, pp. 456 et seq.; *U. S. Statutes*: IV, p. 2, I Cong., 2 sess., ch. 30, Sec. 3.

5) HILDRETH: IV, p. 99; SEYBERT: pp. 292—4; WELLS: p. 65. ADAMS, H.B. (*Zeitschrift für die gesammte Staatswissenschaft.*) XXXV, p. 344.

lected when such merchandise was imported in vessels not of the United States¹⁾.

These laws, fashioned on the same principle as the Navigation Acts of England, were well received by a people who had suffered and fought to be freed from the oppression of similar measures. Some of the reasons that led to the adoption of these laws were:—

1. English merchants were allowed to import into England a number of articles; and a similar privilege was not granted to foreigners.

2. Many articles were not allowed to be sold in England.

3. Exclusive privileges were granted by the English to some companies; i. e. The East India Co., The Turkey Co., Hudson's Bay Co; &c.

4. The exportation from England of many raw materials was prohibited.

5. A qualified prohibition extended to the exportation of certain other goods.

6. The importation of many articles of U. S. manufacture was absolutely prohibited.

7. Foreign vessels were obliged to pay extra light and tonnage dues; and alien dues were also demanded.

8. American vessels were prohibited from entering some ports of the British dominions.

9. The importation into Great Britain from the U. S. by American vessels of all goods not manufactured in the U. S., was prohibited.

10. Other nations were treated more favorably by England than were the United States²⁾.

In discussing this question Coxe has shown that the American Navigation Acts, although discriminating largely in favor of Americans, were not as stringent as were those of England; and that the United States could not be charged with discriminations as severe as those above-mentioned.

1) SEYBERT: p. 293; *Ex. Doc.* 107: II, p. 456.

2) COXE: A brief examination of Lord Sheffield's observations, pp. 100—102; *ibid.*: View of the U. S., pp. 242—4; Opinions respecting the Commercial Intercourse between the U. S. of A. and the Dominions of Great Britain, by a citizen of Mass., pp. 25—6.

As we examine the results achieved by these American laws, it ought to be borne in mind that there were other factors that worked along with them in producing these results. The funding of the war debt gave confidence to individuals and to the nation; and "commerce and industry, thus buoyed up, took a great start"¹⁾. After years of unsatisfactory government, the people gladly welcomed the change which the Constitution brought about; and this confidence in the new government is seen in the way in which Americans took advantage of the new laws and strove for industrial and commercial success. In 1789 American tonnage was not sufficient to do the transportation²⁾. Imagine the increase that occurred when it is recalled that but five years later, in 1794, less than one-half the ships and vessels belonging to the U. S. were sufficient to transport all the commodities they consumed or exported³⁾. In 1789 the tonnage of American ships employed in foreign trade aggregated 123,893 tons; in 1794 it was 438,862 tons⁴⁾. In 1789 American vessels furnished 54.5% of the total tonnage of vessels employed in the foreign trade; in 1794 they furnished 86.4%⁵⁾. American exports had also increased rapidly. In the year ending Sept. 30, 1790, the value of American exports was \$20,205,156; in the year ending Sept. 30, 1795, the figures were \$47,989,472⁶⁾. This prosperous condition of American foreign commerce continued until 1807. American tonnage increased to 848,306 registered tons in 1807; and the value of American exports increased in the following manner:—

Value of Exports from the U. S.
year ending

Sept. 30, 1791	\$ 19,012,041
1796	67,064,097
1801	94,115,925
1806	101,536,963
1807	108,343,150 ⁷⁾

That is, an increase in 16 years of \$89,331,109, or 470%.

1) HILDRETH: IV, p. 276.

2) SEYBERT: p. 292. ADAMS, H. B. (Zeitschrift für die gesammte Staatswissenschaft, XXXV) p. 742.

3) COXE: View, p. 436.

4) SEYBERT: p. 310.

5) Statistics of foreign and domestic commerce: pp. 6, 7.

6) Ibid.: p. 356; WARDEN: III, p. 305; SEYBERT: pp. 61, 93; HILDRETH: IV, p. 276.

7) SEYBERT: pp. 62, 93; WARDEN: III, p. 305.

It would be wrong to attribute this remarkable increase wholly to the workings of the American navigation laws. They were some of the factors that led to this result; but the most important cause is found in the condition of the nations of Europe. *War* was at this period the principal occupation of the maritime countries of Europe; and they could do very little to prevent the U. S. from acquiring the carrying-trade of the world¹). The treaty between England and the U. S., operating from 1794 to 1803, gave to England by its 15th Article the right to impose such duties as might countervail the American duties²); and England did retaliate by acts of Parliament on July 4, 1797, June 28, 1798 and May 7, 1802³). But notwithstanding these acts and the fact that England directed against the U. S. her orders against neutrals, and that American seamen were much harassed by the British Impressment Orders, and that England signed treaties with Russia, Spain, Prussia and the Emperor of Germany for the purpose of keeping American products out of France, and notwithstanding that France and Spain passed laws that bore heavily upon American commerce;—the American merchants became the carriers of the world; in proportion to population America ranked as the most commercial nation; and “a new era was established in American commercial history”⁴). The country presented a spectacle of prosperity which has never been surpassed by any nation in any age⁵). And the reason for this is that the European nations were too much occupied in their wars to prevent it. America exported not only her own products to Europe, but also the products of the world. In 1807, of the \$108,343,150 exports, \$59,643,558, or more than 50% represented foreign products re-exported⁶). Well could Burke say, “No sea but

1) MAYO-SMITH and SELIGMAN: *The Commercial Policy of the U. S.*, 1860—1890; p. 7.

2) *Treaties and Conventions*: p. 388.

3) SEYBERT: pp. 295—7.

4) HILDRETH: IV, pp. 442, 481, 486, 539; SEYBERT: pp. 59—79; WARDEN: III, p. 492.

5) *Report of Committee on Commerce*: p. 2.

6) In 1791, of the exports \$19,012,041, it is estimated that \$1,800,000, or less than 10% consisted of re-exported goods. (BLODGET: *Economica*, p. 64.)

what is vexed with their fisheries, no climate that is not witness to their toils".

So great were the profits derived from commercial enterprises that the mechanical and manufacturing branches of industry were neglected. Seybert estimates the annual profits for freight alone at \$ 32,459,350; and Warden states that the profits in freight were equal to 10% of the value of the cargoes¹⁾. Both England and France, jealous of American success, disputed this commercial advance as well as they could. The peace following the treaty of Amiens in 1802 gave these European nations a brief opportunity of turning their attention to commerce²⁾. But the peace was short-lived; and in the war that followed, although America was the only neutral nation in the civilized world, no evils have ever fallen on her so heavily as the measures of the two great belligerents, commencing with the Berlin decree of Nov. 1806³⁾. 1592 American merchant vessels were captured by the British, French, Spanish, Danes and Neapolitans⁴⁾. American property to the amount of \$ 30,000,000 was placed at the discretion of the English admiralty court, and a still larger amount was submitted to the French council of prizes or council of state⁵⁾. The English Orders in Council, the Berlin and Milan Decrees of Napoleon, compelled the U. S. to adopt the non-intercourse act, the embargo act, and finally to declare war against England. The U. S. were compelled to take these steps; or else to see their commerce utterly destroyed⁶⁾.

One direct result of the Embargo Act was that American export trade, which in 16 years (1791—1807) had increased from \$ 19,012,041 to \$ 108,343,150, was in the following year reduced to \$ 22,430,960; or only \$ 1,677,862 more than the amount in 1791, the second year after the organization of the present government⁷⁾. Another result was that the tonnage engaged in American foreign trade dropped from 1,203,021

1) SEYBERT: p. 281; WARDEN: III, pp. 286, 292.

2) SEYBERT: p. 297.

3) LYMAN: Diplomacy of the U. S., p. 123.

4) SEYBERT: p. 79.

5) WARDEN: III, p. 494.

6) SCHOULER: History of the U. S., II, p. 105—353. MAYO-SMITH: p. 7.

7) SEYBERT: pp. 63, 93; WARDEN: III, p. 305.

tons in 1807 to 586,423 in 1808; and the figures for 1807 were not again reached until 24 years later¹⁾. New England, then the leading commercial district, felt more than other sections the severity of these restrictions upon trade; and at this time began her relative decline in population²⁾. Great was the opposition to the Embargo Act. Large public meetings were held in the mercantile towns of New England and in New York to protest against it. Leading newspapers announced its passage with mourning columns and the motto, "Liberty is dead"; and several public officials resigned their offices rather than act under the law³⁾. This Act, continuing in force from December 1807 to March 1809, was repealed owing to the many complaints of the mercantile class. Yet commerce, thus set free, continued to be carried on in the face of many risks and serious perils⁴⁾. Foreign privateers continued to harass American merchantmen; and America was again compelled to resort to the non-intercourse act. The government of the U. S. expressed its willingness to abandon hostile measures in case Great Britain would do the same. But this Great Britain would not consent to do; and, after much reluctance, war was declared by the U. S. against England, June 1812⁵⁾.

Although it was not until many years after this that *some* of the retaliatory measures were repealed, and although today we can find among the laws of the U. S. those of a retaliatory character; it may be said that, if the period of commercial retaliation did not close with the treaty of July 3, 1815⁶⁾, at least the period of the freedom of commerce and navigation began at that time. Then it was that the old Navigation Acts of England received their first repulse; and Parliament agreed to modify these celebrated laws. Here can be found an instructive lesson in the practical carrying-out of the restrictive system to its fullest extent. It was found

1) *Statistics of foreign and domestic commerce*: pp. 6, 7.

2) *Commercial Report* (1830): p. 8.

3) HILDRETH: VI, pp. 113, 121; SCHOUER: II, pp. 159—194.

4) HILDRETH: VI, pp. 194, 214.

5) SCHOUER: II, p. 289.

6) *Treaties and Conventions*: p. 410.

to be so unproductive of good effect as to call for its abandonment¹⁾. It was agreed by this treaty that in future equal charges should be imposed on the ships of either country in the ports of the other; and that equal duties should be laid upon all articles, the production of one country imported into the other, whether such importations were effected in the ships of the one or the other.

CHAPTER II.

FREEDOM OF COMMERCE AND NAVIGATION.

When the merchants of Boston learned that the war was really over, they covered their rotting ships with flags and bunting; but the revival of commercial interests did not immediately follow²⁾. The unnatural commercial development of 1806 and 1807 had been well nigh crushed by the measures of war; and although there had been some activity in trade displayed in 1810 and 1811, the change from war to peace brought with it great financial disaster. During the war, America had been flooded with from 40 to 50 millions of new State Bank currency. In September, 1814, all the banks in the U. S., outside of New England, suspended specie payment; \$ 9,000,000 of U. S. Treasury funds were locked up in these State banks, and as a consequence the U. S. Treasury notes were dishonored and the government fell in default on the interest of its funded debt³⁾. During the war the government obtained \$ 68,000,000 by giving \$ 80,000,000 certificates of stock. The U. S. Bank⁴⁾ did not come into operation until January, 1817; and in that month, the government imported, at a cost of half a million dollars, \$ 7,000,000 in specie, and was thus able to resume specie payment⁵⁾. In England prices

1) PORTER: p. 159.

2) HILDRETH: VI, p. 566.

3) CRUMP: Manual of Banking, pp. 320—2.

4) The second.

5) CRUMP: pp. 320—2; '37 and '57, a brief account of financial panics, p. 5.

fell in all departments of business and "the year 1816 was among the most gloomy in the commercial history"¹⁾ American capital, formerly employed in commercial pursuits, but now invested in manufactures, received good returns owing to the new tariff act of April 27, 1816; and although there were revulsions in 1822 and 1825, the country for the next 14 years enjoyed unusual prosperity²⁾.

In the midst of this period of disaster, and in a time when it might be said that the world enjoyed peace through sheer exhaustion, the new treaty went into effect³⁾. The U. S. government had hoped that, by repealing all discriminating laws against nations that followed the same course, commercial relations with England might be definitely and amicably settled⁴⁾. Equalization of tonnage and port dues was established by Article II of the treaty of 1815; *but this measure applied to English possessions in Europe only*⁵⁾. The U. S. conceded one of the chief points in the controversy, namely, trade with the British West Indies, "trusting to the great development of our trade with the British colonies and the energy with which it was conducted, to maintain it under any circumstances"⁶⁾. The fact that no mention was made of the West Indian trade was displeasing to the U. S., as it meant the continuation of the old policy⁷⁾. That the treaty was judged more favorable to England than to the U. S., can be seen from the fact that British ship-owners made no complaints, while Americans were divided in opinion as to its merits⁸⁾. However, public opinion in America was not strong enough in 1818 to prevent its renewal⁹⁾.

The course pursued by England was what many had predicted. Her old colonial policy was renewed, and American

1) HOMANS: p. 384.

2) WARDEN: III, pp. 262—273; SEYBERT: p. 304; HILDRETH: VI, p. 681
PANICS: p. 5; MAX WIRTH: Geschichte der Handelskrisen, pp. 189—234.

3) There was universal peace, with the exception of the trouble between Spain and the Spanish colonies in South America. SCHOULER: III, p. 24.

4) Ex. Doc. 107: pp. 10, 50.

5) *Treaties and Conventions*: p. 410; Bastable, p. 71.

6) *Foreign and domestic commerce*: p. 16.

7) Ex. Doc. 107: p. 50.

8) PORTER: p. 160.

9) BOLLES: Financial History of the U. S., II, p. 470.

shipping was kept out of West Indian ports¹). Then it was that the U. S., although the policy of freedom of commerce and navigation was in effect as far as Great Britain herself was concerned, were compelled to take recourse again to acts of retaliation in order to gain entrance into West Indian ports. Acts were passed that equaled or exceeded in restrictions the famous laws of England. Importations by foreign ships were to be limited to the produce of their respective countries. Coasting trade was restricted to vessels built and owned in America and manned by crews of which at least $\frac{3}{4}$ must be Americans²). An extra duty was imposed of \$ 2 a ton on foreign vessels, and 10 % extra duty on merchandise coming in foreign vessels³); and then after the President was convinced that these acts were not sufficient, an act was passed closing the ports of the U. S. against British vessels from any British colonial port into which American vessels were not admitted. Again by law in May 1820, Congress prohibited the importation of West Indian produce *via* Nova Scotia and Canada⁴). The English were naturally desirous of keeping to themselves this trade, and the Americans were equally desirous of getting it. Then followed in the West Indies distress caused by these trade restrictions; and England was compelled to confess that it would be necessary to modify her own laws and to meet the Americans on terms of reciprocity⁵). And so when the act of May 2, 1822, was passed giving the President of the U. S. the authority to declare the ports of the U. S. open to British vessels trading to or from the colonies, "on receiving satisfactory evidence that the ports of the islands or colonies of Great Britain have been opened to the vessels of the U. S.", the English after a succession of attempts that extended over a number of years, agreed to give the Americans what they had long struggled for—admission to West Indian ports⁶). Then

1) *Foreign and domestic commerce*: p. 16.

2) HILDRETH: VI, p. 611; BISHOP: II, p. 237.

3) *Import and Navigation laws of the U. S.*, pp. 19—21.

4) HILDRETH: VI, p. 631; *Foreign and domestic commerce*, p. 16; U. S. Statutes, IV, p. 2. [Acts of 14 Cong., 1st session, ch. 107, sec 3; 2d session, chapters 3, 50.]

5) *North American Review*: LII, p. 318.

6) *Ex. Doc.* 107: p. 50.

followed by proclamation of the President, October 5, 1830, the repeal of the discriminating laws of the U. S.; and the English laws were at the same time repealed¹⁾. The expansion of American trade in the British possessions in America can be seen in the following figures:

Imports to U. S.		Exports from U. S.	
From		To	
(1.) British North American possessions:			
1830	1840	1830	1840
\$ 650,303	\$ 2,007,767	\$ 3,786,373	\$ 6,093,250
(2.) British West Indies:			
\$ 168,579	\$ 1,048,165	\$ 1,901	\$ 2,965,565 ²⁾

Other nations, whose vessels had been swept from the ocean in the late wars, were not slow in following America's example in passing laws that discriminated against English commerce³⁾; and the result was that England, after being harassed without and within⁴⁾, passed the famous Acts 12 and 13 Victoria, which admit into England or into English possessions goods of any sort, in any ship, from any port in the world. And thus, by the efforts of Pitt, Huskisson, Peel, and Lord John Russell, the famous Navigation Acts, after an existence of two centuries, were repealed⁵⁾.

Up to this point our discussion has been almost wholly upon the commercial relations that existed between the U. S. and England. And quite properly, when one considers the political relations that existed between the two countries and the magnitude of their commercial intercourse. It is now our purpose to briefly examine the development of America's commercial policy towards other nations. And first to be considered is *France*. That country, which aided the U. S. in securing

1) *Ex. Doc.* 107; p. 53; *Statutes of the Realm*: 3 George IV, c. 41—45; 4 George IV, c. 77; 5 George IV, c. 1.

2) *Ex. Doc.* 107: p. 54.

3) SEYBERT: p. 301.

4) HOMANS: p. 384; BOLLES: II, p. 472.

5) In this connection it is interesting to note that CUNNINGHAM (p. 256) follows Adam Smith in praising the Navigation Acts, believing that they were justified by the logic of events. But see LEVI: *History of British Commerce*, p. 18; LALOR: III, 969; YEATS: III, p. 267; PORTER: p. 159; MAC CULLOCH: p. 912; LIST: p. 154.

independence and was the first¹⁾ to enter into treaty relations with the new nation, expected, when war broke out between herself and Great Britain, that assistance would be forthcoming from the U. S. But the new government maintained a position of neutrality; and after American ministers and representatives had been discourteously treated in Paris and a war between these two powers seemed probable, by an Act of July 7, 1798²⁾, the former treaty was annulled. Two years later, when Napoleon was Consul, amicable relations were again restored, and a treaty of peace, commerce and navigation was, on Sept. 30, 1800, concluded; by Articles VI and XI of which the commerce of the two countries was placed upon the basis of reciprocity of tonnage and other dues³⁾. Shortly after, on April 30, 1803, followed the treaty by which the U. S. obtained possession of Louisiana⁴⁾. But notwithstanding the treaty of 1800, the commerce of the U. S., as has been before stated, was much harassed during the European wars⁵⁾. The Berlin and Milan decrees were especially odious; and although Napoleon avoided a war with America and helped to force England into one, commercial relations between France and the U. S. were in a very strained situation. By a treaty of April 30, 1803, France agreed to pay claims of the citizens of the U. S. to the amount

1) Feb. 6, 1778. [*Treaties and Conventions*: p. 296.]

2) *Ex. Doc.* 107: p. 121.

3) *Treaties and Conventions*: pp. 324, 325. [The word "reciprocity", when used in this chapter, has quite a different meaning from that given to the word in the following chapter. Here it refers to the equalization of tonnage and navigation dues; in the next chapter it means the mutual reduction of customs duties. To illustrate better the meaning the word has in this chapter, a portion of the treaty with Prussia (1828) is quoted: "There shall be between the territories of the high contracting parties a reciprocal liberty of commercial navigation The inhabitants of their respective states shall mutually have liberty to enter the ports, places and rivers of the territories of each party, wherever foreign commerce is permitted Prussian vessels arriving either laden or in ballast in the ports of the U. S. of A., and reciprocally, vessels of the U. S. arriving either laden or in ballast in the ports of the Kingdom of Prussia, shall be treated, on their entrance, during their stay and at their departure, upon the same footing as national vessels coming from the same place, with respect to the duties of tonnage, light-houses, pilotage, salvage, port charges, and all other duties and charges." (*Treaties and Conventions*: p. 916.)]

4) *Treaties and Conventions*: p. 331.

5) See p. 14.

of 20,000,000 francs¹⁾. Later, the claim was made that France had violated the treaty of 1800, and vigorous complaints were made in America of the condition of affairs. An American vessel of 300 tons had to pay to get its cargo into France \$ 5400 more duty than did a similar French vessel; and it became common for Americans to ship goods to England and then re-ship them thence to France²⁾. The New York chamber of Commerce declared in a memorial in 1821: "It is a lamentable fact that more than half the number of vessels lately arrived at this from foreign ports are dismantled from the absolute absence of any advantageous object of commercial pursuit This is a just statement of the adverse action of France more particularly, by which the U. S. shipping was first seriously curtailed of its due share of foreign trade"³⁾. A new treaty, that of June 24, 1822, soon followed these complaints; and by the terms of this treaty the shipping interests of the two nations were placed upon a common basis⁴⁾. Each nation reserved to itself the right to lay an extra duty of 20 francs (\$ 3.75) upon merchandise when imported in vessels of the other country⁵⁾. A treaty of July 4, 1831, besides settling various claims of the two nations, but slightly modified the preceding agreement; hence trade to-day between these two countries is regulated by the treaty of 1820⁶⁾.

Spain, up to quite recent times, adhered to the old colonial system of allowing no foreign interference with her policy of excluding from her ports the products of other nations⁷⁾. Commerce between the U. S. and Spain, though limited in extent and largely of a contraband nature, began long before the American Revolution. It will be remembered that the colonists were permitted by Great Britain to engage in trade with countries south of Cape Finisterre. This was partially suppressed by the Spanish *guarda costas*; but a larger trade started up after the peace of 1783, against which the high

1) *Treaties and Conventions*: p. 335.

2) *Foreign and domestic commerce*: p. 15.

3) *Foreign and domestic commerce*: p. 14.

4) *Treaties and Conventions*: p. 343.

5) *Ibid.*: Arts. I, II.

6) See following chapter for special reciprocal agreement of 1892.

7) *Ex. Doc.* 107: p. 160.

protective duties of Spain operated to the detriment of the U. S.¹⁾. The treaty of Oct. 27, 1795, between the U. S. and Spain, although not one of commerce, is the only one of the early American treaties that survived the Napoleonic wars²⁾. The treaty of 1819 related to the acquisition of Florida by the U. S.; and by the treaty of 1834, the claims of the U. S. for losses sustained during the Spanish South American revolution, were satisfied³⁾. None of these treaties laid down the rules by which commercial relations between these two nations should be maintained. The U. S. had for years sought admission to the ports of Cuba and Puerto Rico; but it was not until 1809 that Cuba was allowed by Spain to trade with foreign countries⁴⁾. Trade with America grew until the year 1832, when Spain, possibly fearing to lose other American possessions, imposed discriminating duties upon the vessels of the U. S. in the ports of Cuba and Puerto Rico⁵⁾. It is estimated that American merchants paid at the port of Havannah \$ 2,000,000 extra tonnage money⁶⁾. The U. S. retaliated, and commercial intercourse was sadly disturbed. By a Spanish decree of Jan. 3, 1852, the old colonial policy was broken down; and American vessels had an entrance into West Indian ports⁷⁾. But that was not enough to enable American merchants to compete successfully for this trade. The heavy discriminating duties of port and navigation, amounting sometimes to 100%, were almost as effective as acts of exclusion. These islands had *four distinct tariff rates*. One rate was for Spanish goods brought under a Spanish flag; a second, and about double the first, applied to Spanish goods taken in foreign vessels; a third, and about treble the first, was for foreign goods imported under the Spanish flag; and a fourth and still higher rate applied to foreign goods imported under

1) *Ex. Doc.* 107: pp. 160, 189.

2) *Treaties and Conventions*: p. 1006.

3) *Ibid.*: pp. 1016, 1023.

4) *Ex. Doc.* 107: p. 178.

5) BOLLES: II, p. 475 [Note that the Spanish S. A. colonies had broken away from the mother country].

6) *Ex. Doc.* 107: p. 179.

7) *Ex. Doc.* 107: p. 182.

a foreign flag¹⁾. As the U. S., owing to their proximity to these islands, held, notwithstanding these discriminating duties, the larger part of the export trade of the islands; it may be understood with what earnestness the U. S. pressed upon Spain the claims of reciprocity²⁾. Agreements of Jan. 2, 1884, and Feb. 13, 1884, superseded by Agreements of Oct. 27, 1886, and Sept. 21, 1887, removed all discriminating duties³⁾. Still later, a commercial treaty was negotiated; and as it is an example of another policy, it is considered in the following chapter.

Commercial relations between the U. S. and *Prussia* have been maintained on the principle of reciprocal tonnage and other dues. The treaty of Sept. 10, 1785, was in later years regarded by the U. S. as a model agreement⁴⁾. This treaty was renewed in July 11, 1799, and expired in 1815⁵⁾. The subsequent treaty, that of May 1, 1828, which operates to-day, revives some of the articles of former treaties, and declares in Articles I-VI that there shall be reciprocal liberty of commerce, no discriminations in the duties on vessels, &c.⁶⁾. At about the time this treaty was negotiated, similar agreements were entered into with the *Hanseatic Cities* of *Hamburg*, *Bremen* and *Lübeck* (Dec. 20, 1827), and with *Austria* (August 27, 1829)⁷⁾. On July 4, 1827, *Sweden* and *Norway* entered into a commercial agreement with the U. S.⁸⁾; and on Oct. 6/18, 1832, *Russia* did the same⁹⁾. Previous to 1840 there was no treaty between the U. S. and *Portugal*; but in that year a reciprocal treaty was signed by the two powers¹⁰⁾. Trade with *Belgium* has been regulated by the treaties of 1845, 1858 and 1875, which secure to each nation common rights¹¹⁾. Although the *Netherlands* was the second country to sign a treaty with the U. S., commercial relations between these two countries were not based

1) SCHUYLER: American Diplomacy, p. 446.

2) Ibid.:

3) *Treaties and Conventions*: pp. 1039 et seq.

4) *Treaties and Conventions*: p. 899.

5) Ibid.: p. 907.

6) Ibid.: p. 916.

7) Ibid.: pp. 23, 533.

8) Ibid.: p. 1058.

9) Ibid.: p. 933.

10) Ibid.: p. 891.

11) Ibid.: pp. 52, 56, 76.

upon a reciprocal agreement until 1839. This treaty, added to in 1852, is still in operation¹⁾. There were no fixed customs regulations with *Denmark* till Feb. 1, 1797; before that time Denmark imposed high and prohibitive tariffs²⁾. After this there was a partial reciprocity. By the treaty of April 26, 1826, entire reciprocity was granted³⁾. By Article V of this treaty, the vessels of the U. S. were not to pay higher Sound Dues than the vessels of other nations. But as Denmark discriminated against American cotton and other produce, this treaty was terminated in 1856 at the desire of the U. S. In the following year, owing to the combined action of European powers, the Sound Dues were abolished; and the treaty of 1826 again became binding⁴⁾. The U. S. entered into reciprocity treaties with Switzerland on Nov. 9, 1855, and with Italy on Feb. 26, 1871⁵⁾. Following the revolution of the *Spanish South American colonies*, came a number of treaties with the new republics⁶⁾; and after the war between the U. S. and *Mexico*, a number of other treaties were arranged⁷⁾. The treaty of 1833 established favorable commercial relations between the U. S. and *Siam*⁸⁾; and trade with *China* was made possible by the treaties of 1844 and 1858⁹⁾. Trade with *Japan*, opened up by the treaty of 1854 and other agreements, is by the treaty of 1878 placed upon the basis of reciprocity¹⁰⁾.

The preceding paragraphs show that the policy of freedom of commerce and navigation has been gaining strength, and that at the present day it is the prevailing commercial policy of the U. S. The American nation, struggling against the old Navigation Laws of England and the colonial policy of Spain, gained its first victory, against England, in 1815; and later

1) *Treaties and Conventions*: p. 761.

2) *Ex. Doc.* 107: p. 233.

3) *Treaties and Conventions*: p. 231.

4) *Ibid.*: p. 238.

5) *Ibid.*: pp. 581, 1072.

6) Argentine Confederation, 1827; Chili, 1832; Peru-Bolivia, 1836; Venezuela, 1836; Ecuador, 1839.

7) New Granada, 1846; Mexico, 1848; Guatemala, 1849; San Salvador, 1850; Costa Rica, 1851; Peru, 1851.

8) *Treaties and Conventions*: p. 992.

9) *Treaties and Conventions*: pp. 145, 159.

10) *Ibid.*: pp. 597, 599, 601, 610, 612, 621.

it has beaten Spain, although that nation adhered to her old system until a very recent day. The other nations of the world, as fast as their political conditions would permit, have followed the example set them in 1815; and the result is that the commercial relations of the U. S. to-day are largely defined and regulated by the treaties above—mentioned.

The imports and exports of the U. S. have increased in the last 100 years in the following manner:—

Year.	Imports of the U. S.	Exports
1790	\$23,000 000	\$20,005,156
1800	91,252,768	70,971,780
1810	85,400,000	66,757,970
1820	74,450,000	69,691,669
1830	70,876,920	73,849,508
1840	107,141,519	132,085,946
1850	173,509,526	144,375,726
1860	353,616,119	333,576,057
1870	435,958,408	392,771,768
1880	667,954,746	835,638,658
1890	759,310,409	857,828,684

It is interesting to note that in the rapid development of the resources of the U. S., there has been an almost steady increase in the volume of foreign commerce. It is hard to state how much credit for this increase should be given to the commercial policy of the government, as there were so many other factors that aided in producing this development. The introduction of railroads, steamboats, the factory system, and the banking system, the discovery of gold in California, foreign wars and famines, have all played their part. One cannot say how much importance should be given to one or another factor; but the fact remains, that in spite of the changing policies of successive administrations, the numerous tariff acts, and antiquated Navigation laws, in spite of the panics of '37, '57 and '73 and the horrors of Civil War, the volume of the foreign commerce of the U. S. has rapidly increased.

In connection with this commercial development, two points may be noted.

I. The first is, that, while in 1806 and 1807, of American exports, over 50% consisted of re-exports, to-day the U. S. have almost wholly lost this re-export trade. American exports

now consist in large measure of domestic products, less than 10% being re-exported goods¹⁾.

II. The second point to be noted is that foreign vessels now carry the greater part of America's exports and imports²⁾. This is in contrast to the situation earlier in the century. The marked decline of American shipping began in the year 1856; and the following table gives the percentage of the exports and imports of the U. S. carried in American vessels, from 1856 to 1880, inclusive:—

Year:	percent:	Year:	percent:
1856	75.2	1870	35.6
1859	69.9	1874	26.7
1861	65.2	1878	22.6
1865	27.7	1880	17.4 ³⁾

This result has been attributed to the fact that the English took advantage of a law of 1830 and increased their tonnage very rapidly at that time⁴⁾. Another reason assigned for this change is that when wooden vessels were supplanted by steel and iron ships and when steam-engines took the place of sails, Americans did not accommodate themselves to these changes as soon and as readily as did the English⁵⁾. A third reason that is advanced, is that the U. S. tariff laws made it a difficult matter for the ship-builders of America to compete with those of other countries. A fourth, and the most important cause that led to this result, can be found in the Navigation Laws of the U. S. Many of these laws are so burdensome to ship-owners that it is not to be wondered at that they prefer to fly the English or the German flag⁶⁾.

1) *Foreign and domestic commerce*, p. 36; *Industrial and financial resources of U. S.*, p. 25.

2) MAYO-SMITH: pp. 56—7.

3) SEYBERT: p. 310; *Foreign and domestic commerce*, pp. 6, 7; LALOR: I, p. 77.

4) *Foreign and domestic commerce*: p. 17.

5) *North American Review*: CXXV, p. 544.

6) WELLS: pp. 75 et seq.

CHAPTER III.

MODERN RECIPROCITY.

The European wars in which Spain was involved gave the Spanish South American colonies an opportunity to revolt. This spirit of revolution extended not only through South America, but also up into Mexico and Florida¹⁾. Before the revolution was successful, the government of the U. S., at the request of Spain, amended the neutrality laws to the effect that a fine of \$10,000, imprisonment for 10 years and forfeiture of vessel and outfit should be the punishment of American citizens who piratically made war on the commerce of Spain²⁾. After the U. S. became convinced that the revolt was successful, they extended to these new republics resolutions of sympathy³⁾. The United States were placed at this time in a trying position; for they wished to retain the good opinion of Spain, as the Florida treaty was then being considered; and on the other hand, they were driven along into this South American sympathy by a band of younger statesmen of whom Clay was the leader⁴⁾. In 1821, shortly after the treaty relating to Florida had been ratified, the South American question came up again, and Clay's motion for an appropriation for the salary of a minister to the South American republics was rejected⁵⁾. But Clay was at last successful, and the U. S. government recognized the new South American republics⁶⁾.

In 1815 while in exile, Bolivar wrote his famous letter predicting the defensive union of the Spanish American countries; and in later years when he saw that the cause of the insurgents had triumphed in the decisive battle of Ayacucho, he renewed his great work of uniting the new republics against

1) HILDRETH: VI, p. 223; International American Conference, IV, *Historical Appendix*: p. 13.

2) HILDRETH: VI, pp. 610, 611.

3) *Historical Appendix*: p. 23; SCHOUER: III, pp. 31, 189, 255.

4) HILDRETH: VI, p. 713.

5) *Ibid.*

6) *Historical Appendix*: p. 23.

their old mistress, Spain. As early as 1821, the idea of union had been suggested by Colombia; and in 1822, in a treaty concluded between Colombia and Chili, a convocation of a congress of the new republics was contemplated¹). According to Bolivar's plan, the U. S. were not included in the list of nations invited to be present at the assembly, presumably from the two facts;— first, that they were not Spanish, and second, that the slave policy of the U. S. was at variance with that of South America²). Bolivar sent invitations to Colombia, Mexico, Central America, Buenos Ayres, Chili and Brazil; and the invitations were accepted on the part of Colombia, Mexico, Central America and Chili; and in his reply the Colombian Secretary of Foreign Relations, Santander, informed Bolivar that *he* had invited the U. S. to send representatives to the Congress³). In Washington the question was asked whether or not the U. S. would accept an invitation to such an assembly. President Adams, cautious and unpopular, did not at first favor the plan with the zeal that inspired his Secretary of State⁴). Clay became at once the champion of the young republics and to him, according to von Holst, should be ascribed the authorship of the idea of a solidarity of the interests of all America⁵). He so worked upon President Adams that the latter accepted the invitation to the conference; and in his message to the House of Representatives, March 15, 1826, fairly surpassed Clay's effusions⁶). The names of ambassadors were sent to the Senate for confirmation; and an appropriation was asked of the House to cover expenses⁷). The opponents of this measure worked with so much vigor that, although the government gained a victory in securing the passing of the bills, the opposition carried its point in delaying action so long that when the ambassadors arrived at Panama, the Congress had already adjourned⁸).

1) VON HOLST: *Verfassungsgeschichte der V. St.*, I, p. 355; *Historical Appendix*: p. 7.

2) *Historical Appendix*: pp. 155—160.

3) *Historical Appendix*: p. 162.

4) *Ibid.*: p. 18; SUMMER: Andrew Jackson, p. 105.

5) VON HOLST: I, p. 357; SUMMER: p. 84; *Historical Appendix*: pp. 8, 9, 16

6) *Historical Appendix*: pp. 10, 34; VON HOLST: p. 359.

7) STEVENS: *Life of Gallatin*, p. 354.

8) *Historical Appendix*: p. 12.

While we distinguish the Panama Congress as the first Pan-American Congress, it should be borne in mind that its objects were quite different from those of succeeding assemblies; and that while commercial reciprocity seemed to be the principal feature of the last congress in 1889-'90, "the Congress of Panama in 1826 was planned by Bolivar to secure the union of Spanish America against Spain¹⁾. It had originally military as well as political purposes"; or as Bolivar himself wrote, he aspired for "the establishment of certain fixed principles for securing the preservation of peace between the nations of America, and the concurrence of all those nations to defend their common cause, each one contributing thereto upon the basis of population"²⁾. He did not desire to form of all the states *one* Spanish nation; but he wanted "a strong band of union to be created among them, which would preserve peace on this continent and afford protection to its inhabitants against foreign aggression"³⁾. His dream was to make Panama another Corinth, another Byzance. Pres. Adams, in his messages to the Senate and House, recommended the proffer of disinterested good-will and commercial reciprocity. He also recommended the making of treaties similar to the one made between the U. S. and Prussia in 1785⁴⁾. Owing to the late arrival of their delegates at Panama, the U. S. had no share in the doings of the congress⁵⁾.

Four nations were represented, Peru, Colombia, Central America and Mexico; and Great Britain and the Netherlands showed their interest by sending special agents to the place of conference⁶⁾. The assembly met on June 22, 1826, and held ten meetings. It accomplished the following work:—
1. A treaty of peace. 2. An agreement providing that the Congress meet at least once in two years. 3. A convention, and 4. an agreement relating to the army⁷⁾. Bolivar was much displeased at the result of the Congress; as the treaties

1) *Historical Appendix*: p. 156.

2) *Ibid.*: p. 155.

3) *Ibid.*: p. 157.

4) *Ibid.*: pp. 21, 37, 39.

5) SCHOULER: III, pp. 358—366.

6) *Historical Appendix*: p. 167.

7) *Ibid.*: p. 174.

did not correspond to the instructions given the Peruvian delegates¹⁾. Colombia was the only country that ratified the treaties, and then only partially. "The plan failed; only four republics were represented at Panama by their plenipotentiaries after not a few delays and embarrassments; others were absent either because of objection to the idea or owing to their being involved in internal discussions. The treaties and conventions there signed received the approval neither of the originator of the idea nor of the Legislatures of the parties represented at the Capital of the Isthmus, with the exception of Colombia; and this failure of ratification and exchange rendered them a dead letter. Notwithstanding the Ministers' agreement to continue the sessions at Tacubaya, owing to the unhealthfulness of Panama, and to meet thereafter every two years, they held no further conferences"²⁾.

Before passing to consider further attempts towards commercial reciprocity, it should be noted that during the years 1821—1826, the commerce of the U. S. with Mexico and South America increased in a very rapid degree. In 1821, the tonnage of American vessels arriving in the U. S. from South America was 39,879 tons; of foreign vessels, 1,299 tons; while in 1826, the figures were 84,043 and 11,516, respectively. In 1821 Mexico and South America furnished the U. S. with 3% of their total imports and took 4% of their exports; in 1826, the percentages were 13 and 18, respectively³⁾.

"The failure of the Congress of Panama did not prevent the nations of America from again making an effort in favor of unification of their interests and in promotion of their common safety and welfare⁴⁾". Mexico, at four different times (March 13, 1831; December 18, 1838; August 6, 1839; April 2, 1840) invited the nations of the New World to meet either at Tacubaya, Panama or Lima. New Granada alone replied, and so the project was dropped⁵⁾. In 1847, representatives of Bolivia, Chili, Ecu-

1) Ibid.: p. 200.

2) *Historical Appendix*: p. 201, quoting SEIJAS, *El derecho internacional hispano-americano*, I, p. 7.

3) *Foreign and domestic commerce*: pp. 27—28.

4) *Historical Appendix*: p. 202.

5) Ibid.: pp. 202—3.

ador, New Granada and Peru met in Lima; and an invitation was extended to the U. S. Nineteen meetings were held, and three treaties and a convention were framed; yet the various governments (with the exception of New Granada which approved the consular convention) rejected the treaties. It appeared to be the purpose of this Congress to render closer the relations of the Spanish-American republics; and it was plain that the presence of ambassadors of the U. S. was not desired, more especially as that country was then at war with Mexico¹).

The next attempt at union was made by Peru, Chili and Ecuador on Sept. 15, 1856, when their representatives signed in Santiago a treaty of league and confederation. Señor Torres Caicedo says in *Union Latino-Americano*: "Above all this treaty has the capital defect of showing a spirit hostile to the U. S. (owing to Walker's expeditions in those days) and to the monarchical forms of government, although the Empire of Brazil was wisely invited to the Union"²). The treaty failed to be ratified and matters stood in the same position as before. The feeling was prevalent that the U. S. might use their influence against the South American republics. In 1862, Costa Rica expressed herself in favor of a continental league, and urged caution if the U. S. were asked to join this league³). This advice was followed in the convocation of the congress of Lima in 1864, "the opinion being that the U. S. ought not to be invited, because their policy is adverse to all kinds of alliances, and because the natural preponderance which a first-class power, as they are, has to exercise in the deliberations, might embarrass the actions of the Congress"⁴). The representatives of Bolivia, Chili, Ecuador, Colombia, Guatemala, Peru, Argentine and Venezuela were present; and the sessions were conducted in secrecy⁵).

Plenipotentiaries from Bolivia, Cuba, Chili, Ecuador, Honduras, Peru, Argentine and Venezuela met at Lima on Dec. 9, 1877. Later Costa Rica sent a representative, and

1) Ibid.: pp. 203—4.

2) Ibid.: pp. 241 et seq.

3) Ibid.: p. 208.

4) TORRES CAICEDO: *Union Latino-Americano*: p. 82.

5) *Historical Appendix*: p. 211.

still later Guatemala and Uruguay adhered to the conclusions reached. This Congress was, primarily, one of jurists; and two treaties were the result of their deliberations¹⁾.

Attempts made by Colombia, in 1881, to convene a Congress were frustrated by the outbreak of war in South America²⁾; and invitations issued by Secretary Blaine to a Congress in 1882, had to be recalled by Secretary Frelinghuysen owing to fresh disturbances in South America³⁾. From August 25, 1888 to February 18, 1889, there was held at Montevideo a Congress of the representatives of the Argentine Republic, Bolivia, Brazil, Chili, Paraguay, Peru and Uruguay. It was a Congress of jurists, similar to that of Lima in 1877; and their work, including the framing of seven treaties, one convention and one protocol, has been ratified by several of the South American countries⁴⁾.

From this brief historical sketch it can be seen that, with the exception of the treaties concluded at Montevideo, practically nothing had been accomplished by these Congresses. The U. S. threw away an opportunity in 1826; and the commerce of the South American countries, which might have been secured to the U. S., passed into other and unfriendly hands⁵⁾. The treaties which the U. S. entered into with these countries (the first was with Colombia in 1824) were of the usual form of reciprocity treaties of those days, containing the clause that ensured freedom of commerce and navigation⁶⁾. But the U. S. were not satisfied with their share of the South American trade secured through the old treaties; and Secretary Blaine, after his failure to convene a Congress in 1882, renewed his efforts to bring about such a Congress, having as an object (perhaps the principal one) the opening of South American ports to the products of the U. S.⁷⁾. For over eight years, from Jan. 21, 1880, when Hon. David Davis introduced a bill in the Senate, to May 28, 1888, when the compromise bill became a law

1) Ibid.: p. 281.

2) Ibid.: pp. 217—251.

3) Ibid.: pp. 255—278.

4) Ibid.: pp. 281—284.

5) Ibid.: p. 156.

6) *Treaties and Conventions*: p. 186.

7) *Historical Appendix*: p. 293.

without the President's signature, the U. S. Congress was employed in formulating preliminary legislation¹⁾.

A very important act was passed July 7, 1884, making an appropriation for the South American Commission²⁾. According to the provisions of this Act, three Commissioners were appointed to "ascertain the best modes of securing more intimate international and commercial relations between the U. S. and the several countries of Central and South America; and for that purpose they shall visit such countries in Central and South America as the President may direct"³⁾. Mr. Geo. H. Sharpe of New York, Mr. Solon O. Thacher of Kansas, and Mr. Thos. C. Reynolds of Missouri were appointed commissioners; and upon Mr. Sharpe's resignation in March, 1885, Mr. William Eleroy Curtis was appointed to succeed him. "This commission made from time to time a number of reports, which were printed by order of Congress and appear as H. R. Ex. Doc. 226, XLVIII Cong., 2d session, and H. R. Ex. Doc. 50, XLIX Cong., 1st session⁴⁾. These reports recommended that an invitation be extended by the U. S. to the several other governments of America to join at Washington in a conference to promote commercial intercourse and to prepare some plan of arbitration"⁵⁾.

These reports carried with them much weight; the necessary laws were passed; invitations to the Congress were issued; and the commissioners of 18 Central and South American countries assembled in Washington, October 2, 1889, and adjourned after a very harmonious meeting, April 19, 1890⁶⁾. Recommendations were adopted by the Congress upon the following subjects: Arbitration, Intercontinental Railway, Steamboat, Telegraphic and Postal Communication, Customs Regulations, Bureau of Information, Sanitary Regulations, Patents and Trade Marks, Port Dues, Weights and Measures, Reciprocity Treaties, Uniform Code of Nomenclature, Consular Fees,

1) Ibid.:

2) Ibid.: pp. 19, 308—309.

3) Ibid.: p. 308.

4) See also *Deutsches Handelsarchiv*: 1886, II. pp. 55 et seq.

5) Ibid.: p. 309.

6) *Bureau of American Republics, Bulletin*: I, pp. 7—10; MAYO-SMITH, p. 58. MOLINARI: in *Journal des Economistes*, XLVIII, p. 3.

Extradition Treaties, International Monetary Union, International American Bank, International Law, Claims and The Navigation of Rivers¹⁾. That the delegates performed a remarkable quantity of work can be seen from the foregoing list; and the appreciation with which the various countries regarded the work of their delegates can be judged from the fact that several of the above recommendations were soon made the basis of new laws.

Of these new laws, the most important for present consideration is Section 3 of the Tariff Act of Oct. 1, 1890, which gave the President of the U. S. the authority to enter into treaty relations with other countries on the basis of reciprocity²⁾. By virtue of this authority, the President of the U. S. entered into treaty relations with several countries, and in a communication to the Senate of June 27, 1892, announced treaties with the following nations³⁾: Brazil, Cuba and Puerto Rico, Santo Domingo, the German Empire, Salvador, the British West Indian colonies, Nicaragua, Guatemala, Costa Rica, Honduras, France and her colonies and Austria-Hungary. These treaties were negotiated upon this basis, — that the U. S. would accept free of duty sugars, molasses, coffee and hides of the several countries; and they, in return, would accept, free of duty or subject to a diminished duty, breadstuffs, provisions, lumber, coal, and a large number of other products of the U. S.⁴⁾. Through the preceding sentence the new meaning given to *Reciprocity* becomes clear; it is that *one country will exchange certain of its products for certain other products of another country*, — an essentially different idea from that prevailing in the early part of the century.

Although this new meaning of the word came upon America as a brilliant discovery, the idea is by no means a new

1) *Bulletin*: pp. 11—42.

2) SCHMOLLER: *Jahrbuch*, XV, (Dr. L. Francke, Die wirthschaftliche Gesetzgebung der Ver. St. im Jahre 1890) p. 245. TAUSSIG, in *Economic Journal*, I, p. 326. CHAILLY, in *L'Economiste français*, XVIII, II, pp. 31, 613.

3) *Senate Ex. Doc.* 119, LII. Cong., 1st Session: p. 2; MAYO-SMITH, pp. 62—3. *Deutsches Handelsarchiv*; 1890, II, pp. 570—1.

4) *Ibid.*: pp. 28, 29, 43—6, 55—70, 82—6, 89—90, 94—5, 98—9, 103—4, 108—9, 114—5, for the several treaties. SCHMOLLER: *Jahrbuch*, XVI, (Werner Sombart, Die neuen Handelsverträge, insbesondere Deutschlands) p. 547.

one¹⁾. As early as 1703, by treaty agreement, English woollens were introduced into Portugal free of duty; while the wines of Portugal were admitted into England at two-thirds the duty paid by French wines. This treaty is said to have resulted favorably to the English trade²⁾. On March 25, 1844, Mr. Henry Wheaton, U. S. Minister in Berlin, signed a treaty with the German Zollverein; by which the U. S. agreed to favor imports from Germany by reduced duties; and Germany agreed to favor American tobacco, lard, rice and cotton³⁾. This kind of treaty was a novelty for the U. S. Senate to handle; and at last it rejected it on the ground that the Legislative and not the Executive branch of the government was the department by which commerce should be regulated⁴⁾. This idea evidently did not prevail ten years later when the Canadian Reciprocity Treaty was under discussion. That treaty, signed on June 5, 1854, was agreed to by both England and America. The third Article of this treaty reads as follows:—

It is agreed that the articles enumerated in the schedule hereunto annexed, being the growth and produce of the afore-said British colonies or of the United States, shall be admitted into each country respectively free of duty:

Grain, flour, and breadstuffs of all kinds.	Pitch, tar, turpentine, ashes.
Animals of all kinds.	Timber and lumber of all kinds, round, hewed, and sawed, unmanufactured in whole or in part.
Fresh, smoked, and salted meats.	Firewood.
Cotton wool, seeds, and vegetables.	Plants, shrubs, and trees.
Undried fruits, dried fruits.	Pelts, wool.
Fish of all kinds.	Fish oil.
Products of fish, and of all other creatures living in the water.	Rice, broom corn, and bark.
Poultry, eggs.	Gypsum, ground or unground.
Hides, furs, skins, or tails, undressed.	Hewn, or wrought, or unwrought burr or grindstones.
Stone, or marble, in its crude or unwrought state.	Dyestuffs.
Slate.	Flax, hemp, and tow, unmanufactured.
Butter, cheese, tallow.	Unmanufactured tobacco.
Lard, horns, manures.	Rags.
Ores, of metals, of all kinds.	
Coal.	

1) BASTABLE: p. 187 et seq.

2) ROSCHER: *System der Volkswirtschaft*, III, p. 199; LALOR: III, p. 537; CUNNINGHAM: p. 263. [Note the treaty of 1828 between Prussia and Hesse which culminated in the Zollverein.]

3) SCHUYLER: pp. 433—4.

4) Ibid.: p. 434.

5) *Treaties and Conventions*: p. 451; MAYO-SMITH: p. 35.

This removing of duties on the above-mentioned articles led to an increase of trade between the U. S. and Canada; and to show this increase more plainly, the following figures are given:

Year.	U. S. Imports from Canada.	U. S. Exports to Canada.
1841	\$1,968,187	\$6,656,563
1846	1,937,717	7,406,433
1851	6,693,122	12,014,923
1856	22,310,421	29,029,349
1861	23,062,933	22,745,613 ¹⁾

These figures show a remarkable increase in the volume of trade just after the treaty went into effect; but while U. S. imports increased from 1856 to 1861, the exports to Canada fell off.—Then again, of the exports, \$8,401,481, annually, paid duties upon entrance into Canada; while but \$467,238 of U. S. imports from Canada were subject to duty²⁾. For eight years ending 1863, the total imports into Canada from the U. S. of the articles affected by this treaty amounted to \$73,215,623; while the imports of the same class into the U. S. from Canada were \$115,548,880³⁾. “The beneficial effects of the late Reciprocity treaty” may have been apparent in 1857, and a similar treaty recommended with Cuba; but ten years later it became evident to the people of the U. S. that they were the losers; and the treaty was terminated on March 17, 1866, on notice of the U. S. government given one year previous⁴⁾. More recently, attempts were made by President Grant to unite with Mexico in a reciprocal agreement. Twenty-eight articles of Mexican produce were to be admitted free of duty into the U. S., and seventy-three articles of American produce and manufacture were to be admitted free of duty into Mexico. The treaty was approved by the U. S. Senate, but as the laws necessary to carry it into effect have not been passed, it has not become binding⁵⁾. On Nov. 18, 1884, Mr. John W. Foster,

1) *Foreign and domestic commerce*: p. 29.

2) *Ibid.*: p. 91.

3) *Ibid.*:

4) *Ex. Doc.* 107: I, pp. 55, 182; *Foreign and domestic commerce*: p. 82; SCHUYLER: p. 414; LALOR: III, p. 539; *Treaties and Conventions*: p. 1234.

5) *Treaties and Conventions*: p. 714; SCHUYLER: p. 440. MAYO-SMITH: p. 37.

on the part of the U. S., signed with Spain a treaty, by the terms of which discriminating duties were to be abolished. Many articles of U. S. production were to be introduced into Cuba and Puerto Rico free of duty or at a reduced rate; while Spanish sugars were to be favored in American ports. Although Schuyler calls this "the most perfect commercial treaty in all its provisions that has ever been signed by the U. S.", on account of political changes in the U. S., the treaty was withdrawn; and similar negotiations with England, with reference to the British West Indies, were broken off¹⁾. On Jan. 30, 1875, was signed a treaty between the U. S. and the Hawaiian Islands, by which certain articles of American produce were to be admitted free of duty into Hawaiiia, and certain articles of Hawaiian produce, notably sugar, were to be admitted into the U. S. free of duty²⁾. These treaties are of the special reciprocal kind, similar in many respects to those negotiated in 1891 and 1892 between the U. S. and Germany, Austria-Hungary, France and the Central and South American countries. While we note that the volume of trade with Hawaiiia increased in 8 years from \$2,100,000 to \$11,440,000; with reference to the recent treaties it is too soon to state the result; but from the reports of the investigating committee and from statistical publications, it is possible to gather many interesting and valuable facts and figures³⁾.

It was found that in 1868 of the total exports of the U. S., \$375,737,000, Latin America took \$53,197,000, or 14%; while in 1888 of the total exports, \$742,368,000, the same countries took \$69,273,000, or but 9%⁴⁾. Figures showed that the exports of the U. S. to Spanish American countries fell far below the imports to the U. S. from these countries. In 1883, such imports amounted to \$84,857,000, while the exports were but \$33,480,000,—an excess of imports of \$51,377,000⁵⁾. Statistics from 1850 to 1890 showed that the balance of trade had been

1) SCHUYLER: pp. 445—456.

2) *Treaties and Conventions*: pp. 546—S; MAYO-SMITH, p. 35; CONRAD, Jahrbuch III, 5. Bd. (Grunzel, J.: Die Meistbegünstigungsklausel in der modernen Handelspolitik), pp. 561—569.

3) SCHUYLER: p. 444.

4) *Senate Ex. Doc. 158*, LI. Cong., 1st Session: p. 3.

5) *Historical Appendix*: p. 305.

for every year in favor of Central and South America¹⁾. And at the same time that this balance was piling up against the U. S., this trade did not keep up its relation to the total foreign trade of the U. S. The percentage of the commerce of the U. S. with Mexico, Central and South America, as compared with the total commerce of the U. S. in 1870 was 20.82; in 1880, 15.99; and in 1890, 17.60: that is, in 1890, it was less, relatively, than it was in 1870²⁾. The following statement shows the condition of this trade in 1890:—

“Our total imports of merchandise from Mexico, Central and South American States, British Honduras, and the West Indies, during the fiscal year 1890, amounted to \$198,940,575, or 25.20 per cent. of our total imports of merchandise.

The value of our exports of merchandise to these same countries during the same period was \$90,886,103, or 10.59 per cent. of the value of our total exports of merchandise.

Our total imports and exports of merchandise from and to these countries, during the same period, amounted to \$289,826,678, or 17.6 per cent. of our total imports and exports of merchandise.

It will be seen that the excess of our imports of merchandise from these countries over our exports to them amounted to \$108,054,472. In other words, our imports of merchandise were 68.63 per cent. and exports 31.37 of the total trade with these countries, and we imported merchandise to the value of \$2.18 for every dollar in value exported to these countries”³⁾.

These figures show that the commerce of the U. S. with Spanish America was in a very unsatisfactory condition: and the question naturally arose in the U. S.,—why is it that, when we buy over 30% of what the South American countries have for sale, we can furnish them with but 6% of their imports?⁴⁾

REASONS FOR THE POOR COMMERCIAL RELATIONS EXISTING BETWEEN THE U. S. AND LATIN-AMERICA.

I. *The principal reason* for the poor commercial relations that existed between North and South America *seemed to be*

1) *Bulletin*: VI, pp. 32—4.

2) *Bulletin*: I, p. 117; VI, p. 130.

3) *Bulletin*: VI, p. 126. CONRAD: *Jahrbücher*, neue Folge, X, p. 451.

4) *Historical Appendix*: p. 364.

the lack of direct steamship accommodation. There were 50 lines of steamships from Europe to Central and South America, while there were but 6 lines from the U. S.¹⁾. The steamers of some lines made triangular voyages: — from Brazil to New York, from New York to England, and from England to Brazil, thereby offering no direct communication from the U. S. to Brazil²⁾. The "Red D" line to Venezuela was about the only line that had succeeded in developing a direct trade; within a few years trade between the U. S. and Venezuela had increased from \$ 3,300,000 a year to \$ 14,000,000³⁾. As regards freight rates to South America, the U. S. were at a sad disadvantage. Freight cost from Europe to South America \$ 15 a ton, from the U. S., \$ 40; and freight to Peru from New York cost \$ 28 a ton, while from Liverpool it cost but \$ 20⁴⁾. Flour was sometimes shipped as ballast from the U. S. to Europe and thence re-shipped to the West Indies cheaper than it could have been sent by direct shipment⁵⁾. In many of the South American countries there was a manifest desire to open up direct communications with the U. S. Brazil offered to grant \$ 90,000 a year for direct steam connection with the U. S.; and the Argentine Republic had a standing offer of 96,000 silver dollars a year to any company that would establish a steamship line between Buenos Ayres and New York under the U. S. flag; and at the same time there were 21 lines of steamships, sailing from 45 to 60 times a month between Buenos Ayres and the ports of Europe, to which the Argentine Republic paid nothing⁶⁾!

It appeared that other nations by bounties and subsidies developed their merchant marine, while the U. S. had not maintained such a policy⁷⁾. "England and France have been

1) *Bulletin*: I, p. 149.

2) *Historical Appendix*: p. 363; *Ex. Doc.* 158: p. 3; *Das Handels-Museum*: IX, 4, p. 63.

3) *Ex. Doc.* 174: p. 2.

4) *Historical Appendix*: pp. 319, 366; *Bulletin*: XLI, p. 187.

5) *Bulletin*: VI, p. 131.

6) *Bulletin*: XLI, p. 33; *Historical Appendix*: p. 364.

7) The U. S. had made two attempts to encourage foreign trade by subsidizing steamship lines; from 1847 to 1858 and from 1865 to 1875 (*LALOR*: III, pp. 821—2).

extending their foreign trade while we have been developing internally". But England paying \$ 3,500,000 annually for postal packet service, and France paying generous bounties for building vessels, and giving the Messageries Maritimes Co. for Australian and Chinese service about \$ 2,500,000 a year, were not the only nations that had adopted this policy¹⁾. Italy paid a construction bounty of \$ 5.70 a ton for iron and steel vessels, and also gave a navigation bounty²⁾. Germany aided liberally in construction and paid heavy postal subsidies, the North German Lloyd Co. for Australian and American service receiving \$ 1,100,000 a year³⁾. Spain paid liberal construction bounties and expended for her postal service to Mexico, West Indies and the U. S. \$ 1,022,640 a year. A line from Havannah to New York received \$ 20,867 per voyage; and a line between New York, Venezuela and Colombia was said to receive annually \$ 243,687.60⁴⁾. Hungary paid the Adria Steamship Co. yearly 570,000 florins for service to Brazil and the River Platte countries⁵⁾; Colombia and Venezuela each paid \$ 3,200 per trip on the Orinoco river; and Guatemala and Salvador each paid the Kosmos Steamship Co. \$ 1,000 for every steamer that called at their ports, the condition being that not less than one a month should call⁶⁾. Guatemala also paid \$ 5,000 a year for two years for mail service between Livingstone and New Orleans⁷⁾. Several of the islands of the British West Indies granted similar subsidies⁸⁾. Brazil paid \$ 100,000 a year as subsidy to an American line, while the U. S. paid the same line but \$ 4,000⁹⁾. Mexico and the Republics of Central America paid as subsidies to steamships carrying the U.S. flag \$ 101,000 annually, while the government of the U. S. paid only \$ 24,160¹⁰⁾. When it is remem-

1) *Ex. Doc.* 174: pp. 64, 67; *Ex. Doc.* 158: pp. 3, 4.

2) *Ibid.*

3) *Ibid.*; SCHMOLLER: *Jahrbuch X*, (W. Annecke, Die staatlich subventionirten Dampferlinien in Deutschland) p. 47.

4) *Ex. Doc.* 174: p. 64.

5) *Bulletin*: XLI, p. 33.

6) *Ibid.*: pp. 50, 73, 197, 208.

7) *Ibid.*

8) *Ibid.*: pp. 211, 218.

9) *Historical Appendix*: p. 361.

10) *Ex. Doc.* 174: p. 2.

bered that the total yearly payment of the U. S. for postal packet service is about \$ 500,000, and that most of this sum goes to English companies, it cannot be wondered at that the American line to Brazil, founded by John Roach, had to succumb to a rival English company backed by the English government, that guaranteed it an annual subsidy of 8 per cent¹⁾.

President Harrison voiced the popular opinion when he wrote in a letter to the House of Representatives, May 19, 1890, "the creation of new and improved steamship lines undoubtedly furnishes the readiest means of developing an increased trade with the Latin-American countries"²⁾. Frequent, rapid, regular and economical transportation facilities, and these controlled by friendly interests, were demanded³⁾. It seemed best to the delegates of the International American Congress to adopt a resolution urging the establishment of new lines between New York and South America; and that for the maintenance of these lines, the U. S. should pay 60%, Brazil and the Argentine Republic, each, 17.5%, and Uruguay, 5%. Another resolution was passed favoring a line in the Pacific Ocean, to the support of which the various countries should contribute⁴⁾.

II. *A second, though far less important, reason lay in the lack of direct railway communication between North and South America*⁵⁾. Although Secretary Blaine was strongly in favor of an Intercontinental Railway, and the Congress adopted a resolution favoring it, President Harrison was of the opinion that the new steamship lines should be established before the proposed railroad was undertaken⁶⁾. This idea seemed to prevail; and although it may not be an impossible task to lay a road from Mexico to Buenos Ayres, still there would be many obstacles to be surmounted⁷⁾. To carry this new line from Mexico

1) Ibid.: p. 63 (In 1852, the U. S. paid as subsidies to steamship companies, \$1,946,686 [LALOR: III, p. 821.]).

2) *Ex. Doc.* 158: p. 3.

3) *Ex. Doc.* 174: p. 14.

4) Ibid.: pp. 4, 5.

5) *Ex. Doc.* 158: p. 4. MAYO-SMITH: p. 59.

6) Ibid.: p. 3; *Bulletin*: I, p. 10.

7) RATZEL: *Die V. St.*, p. 7.

southward through Costa Rica, 625 miles of new road would have to be built; and to carry it from that point to Cuzco in Peru, would require about 2,300 miles. That is, about 2,925 miles of new road must be laid, a distance 300 miles less than the shortest rail route between New York and San Francisco. The completion of a such a road does not lie in the immediate future¹⁾.

III. *A third reason* for the poor commercial relations existing between North and South America *appeared to be the lack of direct banking facilities*; and closely connected with this (IV) *a fourth reason seemed to lie in the fact that the merchants of the U. S., in their dealings with business men of South America, were not willing to give long credits*. It appeared that the U. S. merchants, for their imports from South America, were compelled to send remittances to London to cover drafts; and, as the commission was usually $\frac{3}{4}$ of 1 per cent and the attendant risk very slight, a very handsome profit was paid to London bankers²⁾. It also appeared that the merchants of South America were in the habit of buying on long credit, and such credit U. S. merchants did not seem willing to give³⁾. In order to bring buyer and seller into closer commercial relations, the Congress adopted a resolution in favor of an International American Bank⁴⁾.

V. *A fifth and concluding reason lay in the ignorance of the manufacturers and merchants of the U. S.* These people did not know of the wonderful development of South America in recent years⁵⁾. They neglected to study the needs and tastes of the South American peoples⁶⁾. They neglected the study of the Spanish language. Commercial travelers from the U. S. were seldom, if ever, seen in the Southern countries⁷⁾. The U. S. merchants did not ship their goods in a suitable manner⁸⁾. In direct contrast to this ignorance appeared the mercantile

1) *Ex. Doc.* 158: pp. 72—3.

2) *Ex. Doc.* 129: pp. 2—4.

3) *Bulletin*: I, pp. 58—68, 149; XII, pp. 230, 255.

4) *Ex. Doc.* 129: p. 7; *Ex. Doc.* 174: p. 30.

5) *Historical Appendix*: p. 365.

6) *Bulletin*: I, pp. 149—150.

7) *Ex. Doc.* 174: p. 2.

8) *Bulletin*: I, p. 150.

tact and ability of European merchants. General Strouthers, formerly U. S. Consul-general in Mexico, laid especial emphasis on this point when he recounted the admirable qualities of the Germans in Mexico¹⁾.

By the revelation of these facts a public sentiment sprang up in the U. S. in favor of increasing trade with Latin-America. The newspapers of the country and especially the publications of the Bureau of American Republics were very effective in instructing the American people as to the possibilities in this direction²⁾. Commercial travelers from the U. S. went more frequently to Central and South America³⁾. The weight of the mails despatched from the U. S. to Latin-America increased in the following manner:⁴⁾

Weight of letter mails from the U. S. to

Fiscal year ending June 30—	Central America	West Indies.	South America.	Total.
	<i>Grams.</i>	<i>Grams.</i>	<i>Grams.</i>	<i>Grams.</i>
1885	1,274,869	6,131,428	4,718,625	12,124,922
1886	1,360,925	5,783,715	3,670,402	10,815,042
1887	1,698,566	6,217,331	5,040,574	12,956,471
1888	2,339,953	6,630,161	5,879,271	14,849,385
1889	2,751,076	7,260,761	6,374,454	16,386,291
1890	3,332,821	8,044,146	6,953,443	18,330,410
1891	7,175,411	10,042,020	7,919,943	25,137,374
1892 (8 months ending March 31)	4,485,292	8,150,529	6,712,152	19,349,973

Weight of printed matter from the U. S. to

Fiscal year ending June 30—	Central America.	West Indies.	South America.	Total.
	<i>Grams.</i>	<i>Grams.</i>	<i>Grams.</i>	<i>Grams.</i>
1885	16,751,068	50,905,092	62,504,438	130,164,598
1886	19,445,594	57,070,472	64,933,003	141,459,069
1887	20,360,695	58,436,256	78,856,167	157,653,118
1888	25,611,295	64,085,508	87,509,160	177,205,963
1889	33,702,155	71,990,081	103,876,152	209,568,388
1890	39,037,056	81,703,195	116,148,222	236,888,473
1891	73,441,235	101,446,962	140,647,853	315,536,050
1892 (8 months ending March 31)	49,530,597	81,241,078	119,199,054	249,970,729

1) *Historical Appendix*: p. 342.

2) The Bureau of Am. Republics, established according to a resolution of the International American Congress, has issued many valuable Bulletins relating to the American trade.

3) *Ex. Doc.* 119: p. 4.

4) *Ex. Doc.* 119: p. 3, 4.

While the exports from England to Latin-America fell off in the most noticeable manner, the exports of the U. S. to the countries south of it increased in a marked degree¹⁾.

The following table shows a comparison of total exports of domestic merchandise from the U. S. to the several American countries and colonies south of the Gulf of Mexico and Rio Grande during the fiscal year ending June 30, 1885, and June 30, 1891:

Country.	Year ending June 30—		Increase (+) or decrease (—).
	1885.	1891.	
Mexico	\$7,370,599	*\$14,199,080	+\$6,828,481
British Honduras	359,730	457,549	+ 97,819
Guatemala	+523,640	1,971,001	+ 1,447,361
Salvador	+470,541	1,134,995	+ 664,454
Nicaragua	+471,671	1,592,013	+ 1,120,342
Honduras	+428,10	583,114	+ 155,010
Costa Rica	+548,215	1,298,973	+ 750,578
Colombia	5,397,412	3,108,979	— 2,288,423
Venezuela	*2,992,968	4,716,047	+ 1,723,079
Ecuador	††1,049,392	902,738	— 146,654
Bolivia	††1,304	6,380	+ 5,076
Peru	735,979	1,396,207	+ 660,228
Chile	2,192,672	3,133,991	+ 941,319
Argentine Republic	4,327,026	2,718,075	— 1,608,951
Uruguay	1,601,759	1,032,937	— 568,822
Brazil	7,258,035	14,049,273	+ 6,791,238
Haiti	3,227,059	5,589,178	+ 2,362,119
Santo Domingo	962,428	986,826	+ 24,398
Cuba	8,719,195	11,929,605	+ 3,210,410
Puerto Rico	1,533,177	2,112,334	+ 579,157
Danish West Indies	571,103	625,609	+ 54,506
Dutch West Indies	653,853	771,600	+ 117,747
Dutch Guiana	296,667	249,704	+ 46,963
French West Indies	1,394,101	1,854,968	+ 460,867
French Guiana	107,492	150,710	+ 43,218
British West Indies	6,963,219	9,546,058	+ 2,582,839
British Guiana	1,630,608	1,761,350	+ 130,742
Total	61,787,949	87,879,124	+25,091,175

* Not including exports from the United States to Mexico by rail.

† Year ending June 30, 1886. †† Year ending June 30, 1887. [2]

1) Ibid.: p. 4.

2) Colombia's decrease was due to the suspension of work on the

The latest available figures are the following:

Exports and Imports of the U. S. to and from countries with which reciprocity treaties exist.

Years.	U. S. Exports.	U. S. Imports.
1888	\$89,235,560	\$217,394,280
1889	106,603,122	234,564,301
1890	129,381,488	252,861,773
1891	140,750,805	287,074,360
1892	158,202,013	317,670,226 ¹⁾

These figures show that while the U. S. have increased their exports to the countries under consideration, it is not shown that any *unusual* gain has been made; and further, the U. S. have not been able to lessen the balance of trade against them. On the contrary, the excess of imports over exports, according to the above figures, was in 1888, \$128,158,720; in 1889, \$127,961,179; in 1890, \$123,480,285; in 1891, \$146,323,555; and in 1892, \$159,468,213: that is, the surplus of imports over exports has increased notwithstanding the reciprocity treaties. According to the English report, the results of these treaties have not come up to the expectations of the authors of the reciprocity clause of the Tariff Act of 1890²⁾. In America, although opinion is divided on this subject, the following quotation is well worth noting, as it is taken from a prominent newspaper that was at first conservative on this subject: "That forward movement will not be retraced because men of every economic view agree in commending it as tending in the right direction"³⁾.

Panama Canal. Ecuador's was due to the failure of the cocoa crop which diminished the purchasing power of the people. The decrease of exports to Uruguay and the Argentine Republic was due to the great financial depression from which those countries suffered (*Ex. Doc.* 119: pp. 143—145. 151.): CONRAD, Jahrbuch, III, 4 and 5 Bde.: (Diezmann, M.: Der Aussenhandel der V. St.) pp. 420, 895, 897.

1) *Foreign Office Papers*, 1893: No. 277, p. 14.

2) *Ibid.*: p. 16.

3) *Springfield Republican*, Jan. 13, '93; Oct. 9, '89; April 21, '90; Jan. 12, '92; Dec. 8, '91. See also *Troy Times*, March 4, '93; *Boston Journal*, April 8, '93; April 20, '93; *N. Y. Tribune*, March 22, '93; April 26, '93; *Christian Union*, Nov. 5, '92; *The Nation*, Sept. 15, '92. Also TAUSSIG: *Tariff History of U. S.*: p. 280; SCHUYLER: p. 423. [The writer has not had the opportunity of reading John Dean Goss's *Tariff History*. TAUSSIG's 2d Edition carries the subject to 1892.]

CONCLUSION.

These three commercial policies exist in the U. S. to day. The Navigation Laws are largely based upon *retaliation*, the reciprocity of 100 years ago; and retaliatory clauses appear in the recent Tariff Act. *Freedom of commerce and navigation*, the reciprocity from 1815 on, is secured by treaties with most of the nations of the world. *Modern reciprocity* was made possible by the recent commercial treaties. From these statements it may be inferred that the taking up of a new policy by the U. S. did not necessarily imply the abandoning of an old. The question might be asked,—Can these three policies exist together in the U. S.? Certain it is that the first two have existed together for many years; and the third policy recently inaugurated, has the first policy, the retaliatory clause, attached to it. Retaliation cannot be regarded as a fixed commercial policy of the present. It lingers, an outgrowth of the old Mercantile System; and although nations have been slow to give up this principle, they have almost universally done so, and adopted the policy of commercial freedom. Whether this latter policy will give way to modern Reciprocity is a question difficult to answer. This new policy may be successful. It seems to represent the spirit of an age in which fierce commercial competition demands special concessions. The nations of Europe are now framing their new treaties upon this basis; and the outlook is that this policy will have a fair trial. What success the U. S. will have is problematic; but several reasons have been advanced showing why this policy may fail.

I. The first reason. Ratzel says: "Gegenüber den pan-amerikanischen Bestrebungen ist aber auch daran zu erinnern, dass diese ethnographischen Unterschiede der Bevölkerungen der drei Amerikas viel tiefere Klüfte zwischen diese Erdräume legen als die trennenden Meere"¹⁾. Granting this, it should be remembered that the peoples of Great Britain, Germany and France (the rivals of the citizens of the U. S. in South American trade) are not more like the peoples of South Amer-

1) RATZEL: p. 7.

ica than are the peoples of the U. S. The point is, if the people of Europe have been able to secure this trade, why cannot the inhabitants of the U. S. obtain a part of it?

II. A second reason is that the governments of North and South America offer no guaranty of a fixed policy. One political party in the U. S. coming into power may nullify the acts of its predecessor; and similar acts may happen in Central and South America.

III. A third reason is that the U. S. are not in a position to compete with European countries in giving the peoples of Latin America the imports they desire. Statistics show that the larger portion of South American imports consists of manufactured goods¹⁾. The U. S. may have had this fact in mind when these treaties were negotiated; for of the 2,000 and more articles of U. S. produce and manufacture, affected favorably by the treaties, a great majority come under the head of manufactured goods²⁾. But compare the U. S. with European countries in regard to exports; and we find that in 1891 of her principal exports, Great Britain exported 89,6% in manufactured goods; Germany, 65,6%; France, 54,3%; Belgium, 41%; Austria-Hungary, 25,4%; and the United States, 7,6%.³⁾ In 1890, of total exports, the U. S. exported, 17,87% of manufactured goods⁴⁾. Thus it is apparent that while the exports of the principal European nations consist largely of manufactured goods, the exports of the U. S. are largely agricultural products (74,51%); and for this fact, this third reason is advanced⁵⁾.

IV. This policy may fail through the inability of U. S. merchants to take away from European nations a part of their South American trade. It should be remembered, not only that the Manufacturing countries of Europe have possession of a greater part of this trade; but also that they have secured a good footing in these southern lands through liberal invest-

1) *Statesman's Year Book* (1892): pp. 328, 397, 405, 415, 434, 660, 824, 916, 921 (See also *Almanach de Gotha*).

2) *Ex. Doc.* 119: pp. 125—138.

3) *Almanach de Gotha*, 1893.

4) *Bulletin*: VI, p. 124.

5) *Bulletin*: VI, p. 124; *Ex. Doc.* 174: p. 67.

ments. Much European capital has been invested in Latin-America, a marked instance being seen in Peru where 19 English companies with a total capital of £ 8,343,000 have been organized during the last three years¹⁾. It will be hard work for the U. S. to wage a commercial war against countries that have secured such a start. Then again, the European nations may enter into similar agreements with Latin-America; and so the benefit of these reciprocity treaties may be lost to the U. S. The South American Journal says, "What the U. S. can do, Great Britain is surely capable of doing equally well"²⁾.

V. The capitalists of the U. S. are not going into this South American business without the assurance of fair returns. As long as there are good investments near by, money will not be sent out of the country. One reason why the U. S. have not gone into this South American trade more extensively in the past, can be found in the fact that capital was very profitably employed at home. Why, for example, invest in steamships and embark upon distant ventures, unprotected by the government, when land grants, worth from \$ 500,000,000 to \$ 800,000,000 have been given by Congress to aid in the construction of railroads?³⁾

VI. A sixth reason may appear to some. It may be doubted that these treaties are a step forward in international commercial development. Upon this point there should be unanimity of opinion. There should be no retrograde movement to the old system of Mercantilism, but a steady progress toward more perfect international commercial relations.

1) *Ex. Doc.* 158: pp. 49, 59; *Bulletin*: XLI, pp. 185—9.

2) *Bulletin*: XLI, p. 243.

3) *Ex. Doc.* 158: p. 69.



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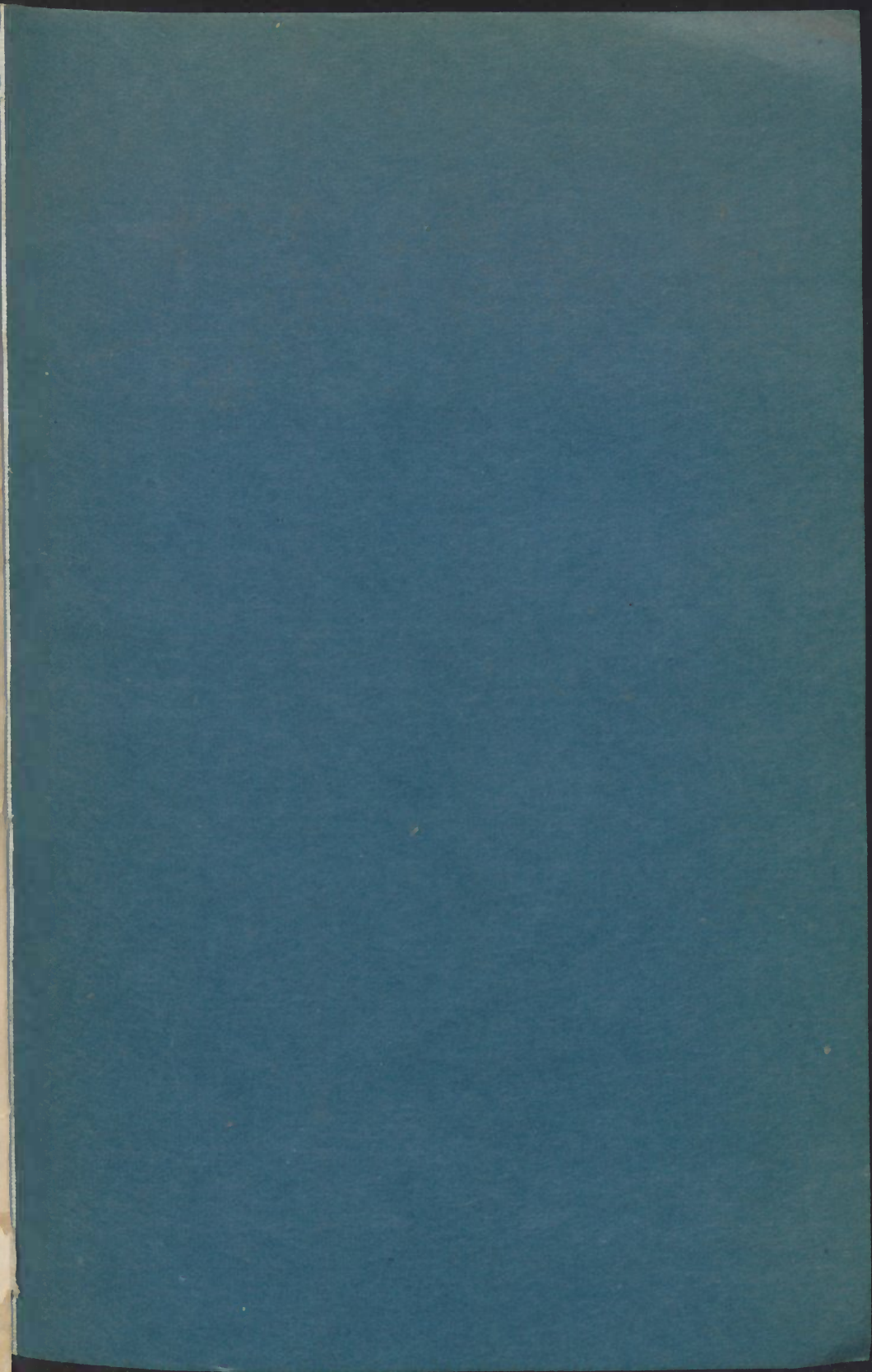
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VITA.

I, John Pearsons Cushing, the son of Dr. med. Alvin Matthew and Elizabeth (Pearsons) Cushing, was born in Lansingburgh, New York, September 5, 1861. I believe in the protestant faith. Having finished in 1878 the course of study in the Lynn (Mass.) High School, I attended Boston University for two years, and Amherst College for two years more. I was graduated from this latter institution in 1882 with the degree B.A.; and in 1885 I received the degree M.A. For ten years, from September 1882 to July 1892, I was a teacher in the Holyoke (Mass.) High School, holding for the last three years the position of Vice-Principal. I have been twice employed by the U. S. Census Bureau; in 1880, in collecting statistics of population in Lynn, Mass., and in 1890, in collecting statistics of manufactures in Holyoke, Mass. I matriculated in the University of Leipzig in November, 1892. I have heard lectures by Professors Roscher, Heinze, Richter, von Miaskowski, Bücher, Fricker, Wundt and Hasse; and I have attended the seminars of Professors Heinze, Richter and Hasse. In the summer of 1893, I availed myself of the privileges of the library of the British Museum.





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