

# THE FUTURE OF FOREIGN TRADE

PAPER BY

MR. JAMES J. HILL

HEAD AT

The National Foreign Trade **Convention, Washington. D. C.**

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One way of looking at the foreign trade of any country or of the world considers actual present conditions and immediate results. Another way studies future developments, adapting itself to needs and tendencies as they appear above the horizon. By one or the other of these methods the foreign commerce of every country is directed. The nation which knows how to combine the two will be most prosperous and secure against such unexpected reverses as that which reduced Venice from the trading sovereignty of the world and have changed supremacy in commerce from one country to another.

The foreign trade of all countries in the world was estimated in 1912 at more than \$35,000,000,000, and rapidly increasing. It has doubled in the last quarter of a century. That of the United States has about doubled every twenty years since 1830. The total

imports of countries other than the United States are put by Mr. Whelpley at \$16,000,000,000 per annum; of which the United States furnishes \$2,000,000,000. We naturally want to increase that share as much as possible. There is room for it; since the foreign trade of England per capita averages about \$125, that of Germany 867 and that of the United States \$41. We are competing freely today in the same markets with Great Britain, Germany and France. So far as the trade of the world as a whole is concerned, the bars are down. The narrow, the limited, the local view of a nation's foreign trade becomes no longer of value or force. The trade telescope has but one focus for the distant object and the near. Commercially speaking, the nations of the earth have been brought much closer to each other.

A new order of things has been brought about by the progress of human information, invention, discovery and skill. Even a century ago the average man was almost as strictly localized as a tree. Only exceptional individuals cut themselves loose from their environment. Intercommunication was slow and difficult. Foreign commerce was confined to a small range of articles. Life was narrow and limited in its desires. Trade between nations was larger in amount but still retained many features of the days when Phenecia sent beyond the Pillars of Hercules for her supply of tin, or when the ships of Rome carried to her port the grain to support her growing population.

Today commerce has burst the trammels once imposed upon it by the small range of demand and supply and the parochial conception of trade. The multiplication of enormously increased means of transportation and the cheapening of the cost of carriage have

conspired with greater scientific knowledge and new machines, new methods, to distribute broadcast over the world its mighty stores of wealth. Commodities as well as people are in constant and lively motion. No demand can arise anywhere in the four quarters of the earth that is not presently satisfied. The "First Book of World Law" has been published by the Peace Foundation, and here is the third article in its Declaration of rights: "Each part of the world needs all the other parts; unimpeded exchange of the world's goods promotes world prosperity; therefore obstacles to such exchange must be removed." Commercially the world is becoming one vast clearing house, through which must pass without discrimination the orders and the waybills and the receipted statements of all its busy people.

The character and direction of the larger currents of trade are no more under the control of any country than are the currents of the atmosphere or the ocean. Purchases are regulated by individual and national needs. Sales will be regulated and production determined by natural advantages; the first item in which is a large supply of raw material of high quality. Wherever this exists, it will control, until the advantage is offset somewhere else, the trade in this particular commodity. Following this plain rule, it is not difficult to see where to look for the future commercial strength of the United States.

We must, for the present at least, depend for our foreign sales chiefly upon a few great staples. In food products we are already falling out of line. Our increasing population, drawing upon a soil already much impoverished, turns food production from a resource into a problem. Down to ten years ago we exported

from 25 to 40 per cent of our wheat crop each year. Since then the percentage has rarely exceeded from 10 to 15. The rapid decline of our position as a producer of breadstuffs has been checked a little by the tremendous efforts made to induce a better agriculture and a more intelligent care of the soil. Federal and state governments, stirred by the earnestness of individuals and by the practical example of great railroad companies, are helping to make better farmers and to save and restore the land. Our export trade already feels some benefit from this attempt, pitifully small although the results of it seem to a man who goes through the country and sees how the average farm is handled. But nothing can prevent the practical extinction of our grain exports. Cattle and dairy products are being imported.

The United States has an apparently sure supremacy in the production of corn. More than 60 per cent of the world's acreage of this cereal belongs to us. Yet we imported more than eight million bushels of corn between October 3, 1913 and the end of last February. So far as breadstuffs are concerned, we cannot rely upon them in future to supply any considerable portion of our sales to other countries. Our farm processes are still almost incredibly antique and unproductive. According to a careful study by Dr. Carl Helfferich, of Berlin, the yield per acre of wheat in Germany in 1912 was more than double that in the United States; that of rye nearly 80 per cent greater, of barley over 30 per cent, of oats nearly 50 per cent and of potatoes only a little short of 100 per cent. Such returns, from a soil cultivated long before Tacitus wrote, in a climate inferior to ours for grain production, tell the whole story of American farm methods. The best that we

can hope for. continuing the slow improvement now in progress, would be to keep production from lagging too far behind increase of population. If we double our acre product, which could easily be done, the chances are that, before our farmers can be educated to the point of doing it, our population will double also, It has increased over seven millions since 1910. This is at the rate of about two per cent a year, and the most sanguine person cannot under present methods expect from our farm production any such continuous rate of growth.

On our other great natural resources our foreign trade is now and must continue to be based. The cotton consumption of the world in the last year is estimated at something under twenty million bales, and more than fourteen million bales were picked from the fields of our Southern states. But the immense increase in price has set every manufacturing country of the world at work to provide its own supply. England has India and Egypt, both capable of large cotton production. So are great tracts in South America and Africa. We cannot expect to retain a practical monopoly of the production of this staple which we once enjoyed. From the United States comes one half the world's supply of copper. Of 351,000,000 barrels of petroleum we contributed over 222,000,000. The pig iron production of the United States in 1912 was 44 per cent, and its steel production 54 per cent of that of the entire world. We are far ahead of other countries in these items not alone because of skill or success in manufacturing, but because nature gave us the raw material in abundance elsewhere unknown. The history of countries like Spain teaches what must be expected where reliance is placed upon resources that

cannot be reproduced as can the products of the soil.

A rather short-sighted optimism has concentrated attention for many years on the increase of our exports of manufactured products. It is with no intention of belittling the really important conquests that our large manufacturers have made that attention is called here to the insufficient and precarious nature of this resource. Exports of manufactures imply competition with all the world and all over the world. It has been proved that no artificial barriers can prevent this ultimate result. For a tariff of one nation equalizes that of another. The common factor cancels out, and the battle must be fought, in the last analysis, just as nature intends that it shall be—on even terms.

To succeed in this field, therefore, there must be a continuing advantage in access to cheap raw material, or in efficiency, or in opportunities for profit to capital invested. If we measure, again, our progress by that of Germany, which has to obtain so large a portion of its raw material elsewhere, we shall not feel so much like self-congratulation. The great progress of our iron production has been noted. Yet Dr. Helfferich finds that the percentage of increase between 1887 and 1911 in the United States was 268.5 and in Germany 287. Moreover, it was 486.3 in Russia; and that country of undeveloped resources, so similar in this respect to our own a generation or more ago, must be reckoned with in the industrial future. In steel production the contrast is still more marked; our percentage of increase from 1886 to 1910 being 910.3 as against 1,335 for Germany. It is clear that, if we are to hold our own, we must meet this competition in production, which is translated instantly into competition in foreign trade.

Germany has waxed fat to a considerable extent on spoils taken from the foreign trade of Great Britain. And perhaps the most instructive thing in the world would be to consider the means by which so many English markets have been captured by Germany, and why so many industries have changed their seat from Sheffield and Birmingham to the busy manufacturing towns of the German empire. The main reason lies in the inability of the English manufacturer to change his working conditions in conformity to general changes that have taken place, beyond his power to arrest or alter, in the markets wherein he must give a free field and can hope for no favor. It must be borne in mind always that the future and, ever more and more surely, the present struggle for foreign commerce must be conducted under rules laid down by civilization itself. There can no longer be a scarcity of any commodity in any place on the surface of the globe if a surplus of that commodity is to be found anywhere else on the surface of the globe. Through the growth of all forms of publicity, of commercial reports, of communication by cable and wireless, the situation is at once made known. Railroads and steamships are ready to carry the desired article from any spot to any other spot, however distant. And, so long as the transaction shows a profit, capital and men will be ready to undertake it. No real monopoly of trade can ever exist again, except within the narrowest areas or for an inconsiderable space of time.

It follows, necessarily, that all competitors must enter the lists under substantially equal conditions. Now England had controlled so large a share of the world's commerce in manufactures for so long that she apparently forgot this. She encouraged or permitted



the establishment of conditions that left her hands tied as against a free competitor. And the reason for dwelling at some length here on this is that the United States is following her example. The power of the English trade unions became practically arbitrary in fixing wages, hours and general working conditions. Germany found that, with a more advantageous wage scale, she could go into the world's markets and compete at prices which England could not meet. Hence the enormous growth of German exports of manufactured articles. Hence a competition which the United States itself cannot meet in many lines, and which it could not meet at all did not the immense and accessible natural resources and, in certain lines of manufacture, the use of highly skilled labor and highly complicated machines which cheaper labor is not competent to handle, give us a temporary advantage. But that advantage, like every other exceptional local condition in world trade, tends to be equalized and disappear. For, in the vast pool of the world's activity, where the material, the worker, the machine, the method, fly from one end of the earth to the other at call, only a purblind nation can dream of basing its future on anything less commanding than equality or superiority in the elements of production; including, of course, the wages of labor and the remuneration of capital.

This Great Britain has not yet fully realized. The United States does not appear to understand it at all. Widespread and long-continued industrial distress in England come from attempting to hold markets against competitors while maintaining a wage scale that does not permit her to meet their prices, and does not offer to capital an inducement to go into new fields of development or even to remain where it has hitherto

been occupied. She meets this not by removing the shackles from her industries, but by fastening other shackles on her capitalists; fetters that must be added later to those that already gall the limbs of labor. She has entered upon the most, elaborate experiment ever seen to compensate the worker for the work he has lost through insisting upon impossible economic terms, now that work is no longer to be had, by a vast eleemosynary system which makes the state pay for his unemployment, his sickness, his misfortune and his death. He is to be sustained in his position of inability to compete with other workers; and he is to be protected against the penalty of his economic defiance at the expense of the whole community. The budget just presented calls for an annual expenditure of over a billion dollars. Twenty years ago it was half that sum. Taxes are now accomplishing actual confiscation.

Reduced to its simplest terms, this project is not "humanitarian", but unspeakably cruel; though that high-sounding word and its familiar fellow, "social justice"<sup>1</sup>, are common cloaks for legislative cowardice or incapacity that does not dare apply the real remedy to the obvious disease. It merely postpones the inevitable, and intensifies the catastrophe which can no more be averted than hunger can satisfy itself on air. Great Britain is now maintaining many of her industries in an artificial condition by appropriating for the support of one class of her people the property of another class. Let it be understood that this discussion has nothing to do with the morals of the process, but only with its economic consequences. The British empire is now sustaining itself by sequestering, under one guise or another, the stored accumulations of past generations. The end of that policy comes when this

accumulated capital is exhausted or has removed itself beyond the reach of legal capture. When that day arrives. Great Britain will be face to face with her real problem. Its magnitude and its difficulty will be almost unique in history.

It would seem that, with such events passing before our eyes, and the veil of the future almost lifted for our benefit, we should not, be beyond the reach of helpful suggestion or find rational conduct difficult. But the burdens placed by unwise restrictive legislation and unnecessary taxation upon business in the United States are producing their natural effects here also. Industry slackens less because capital is dissatisfied with the present than because it is uncertain of the future. Just such mistakes as Great Britain has made and is making may confront the American workingman with a lost job, an empty cupboard and no younger and more promising land to which he can emigrate as his needy fellows have done for centuries when caught in the vise of economic errors or commercial revolutions. The future of our industry must be worked out here and by ourselves. Losing gradually the advantages that our position and resources have given us up to a recent date, nothing but a deeper wisdom and a keener sense of justice toward all the factors that must unite to create national prosperity can keep us at the front in the race with other nations, or even insure us against disappointment, disorder and economic distress at home.

Markets, prices, wages, remuneration of capital—every element that enters into the production, distribution and exchange of commodities, everything that forms the material of commerce or makes commerce possible, every price-making factor—are undergoing a

worldwide leveling process. Advantages, natural or acquired, are being banished from the world as certainly as contagious diseases. Trade hereafter will stand like a colossus, with one foot on either hemisphere; and on the banner that it holds will be written, with a new force and meaning, the old motto of democracy, "equality of opportunity". Men have for a long time demanded no less. The problem of the world's future is to make them content to take that and demand no more.

World trade cannot be a one-sided affair. Capital must be considered as well as labor, because they are "useless each without the other". When a plant ceases to be remunerative, it must be shut down. No miracle will keep it running indefinitely at a loss. But then the employe is out of work. He sees, not far ahead, the prospect of suffering for himself and his family, or removal to some more favored land. Even if he is able to persuade some crack-brained enthusiast or some coldly selfish politician to vote him a support at the public expense, under compulsion of law, neither can that last forever. Sooner or later all outside resources are exhausted. Capital must insist upon its fair remuneration and labor must insist upon a fair wage and no more, in the wide lists of the open world. Back of both, as behind most of the great movements and achievements of the race, stands the stern and compelling figure of death, their final umpire.

Great and true analogies often lie before our eyes for ages until we learn at last the interpretation. This material world is a creature of the law of reduction to a common level. Every inch of fertile field, every valley that delights the eye, had its birth in sterile mountain fastnesses. Everywhere, incessantly, mois-

ture and heat and frost and wind and running water are at work, leveling the earth. Infinitesimal molecules of vapor do what no human enginery could accomplish. The crag splits, the boulder turns to shale, the rubble carried along by the torrent becomes river sand, the glacier grinds stubborn rock to powder. Nature is the greatest of all democrats, and she never knows defeat.

The moral world is a separate sphere, where the humble may climb and the lowly be exalted. But in material things the law of the common level prevails. The day is coming, some hints of its dawning may already be seen, when trade everywhere will be carried on upon a more equal footing; when commerce will be a battle between peers. It is the part of men both brave and wise to disband the mercenaries, to come out from fortifications that the years have undermined, and to work in the open for advantages that will ultimately be distributed, like alluvium on the river delta, evenly over the whole surface of mankind.

The nations first united to suppress piracy, then joined against the slave trade, and now finds thread adding itself to thread in the busy web which is to cover the whole. Postal unions, red cross societies. international agencies of many kinds are preparing the way for world-wide arbitration. The capture and the holding of foreign markets will depend, in the long run, on the same things that make domestic success or failure. In the not distant future wage scales, profit percentages, all the conditions of production will more nearly standardize themselves automatically all over the world. Then nature's master hand will apportion different forms or divisions of industry according to the plan of her own handiwork. Then individual and national qualities will maintain a world-wide competi-

tion. and the fittest will prevail. In the continual advancement of a community become as universal as the atmosphere that wraps the common earth on which it lives and labors, the race will, indeed, be to the swift and the battle to the strong;.

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