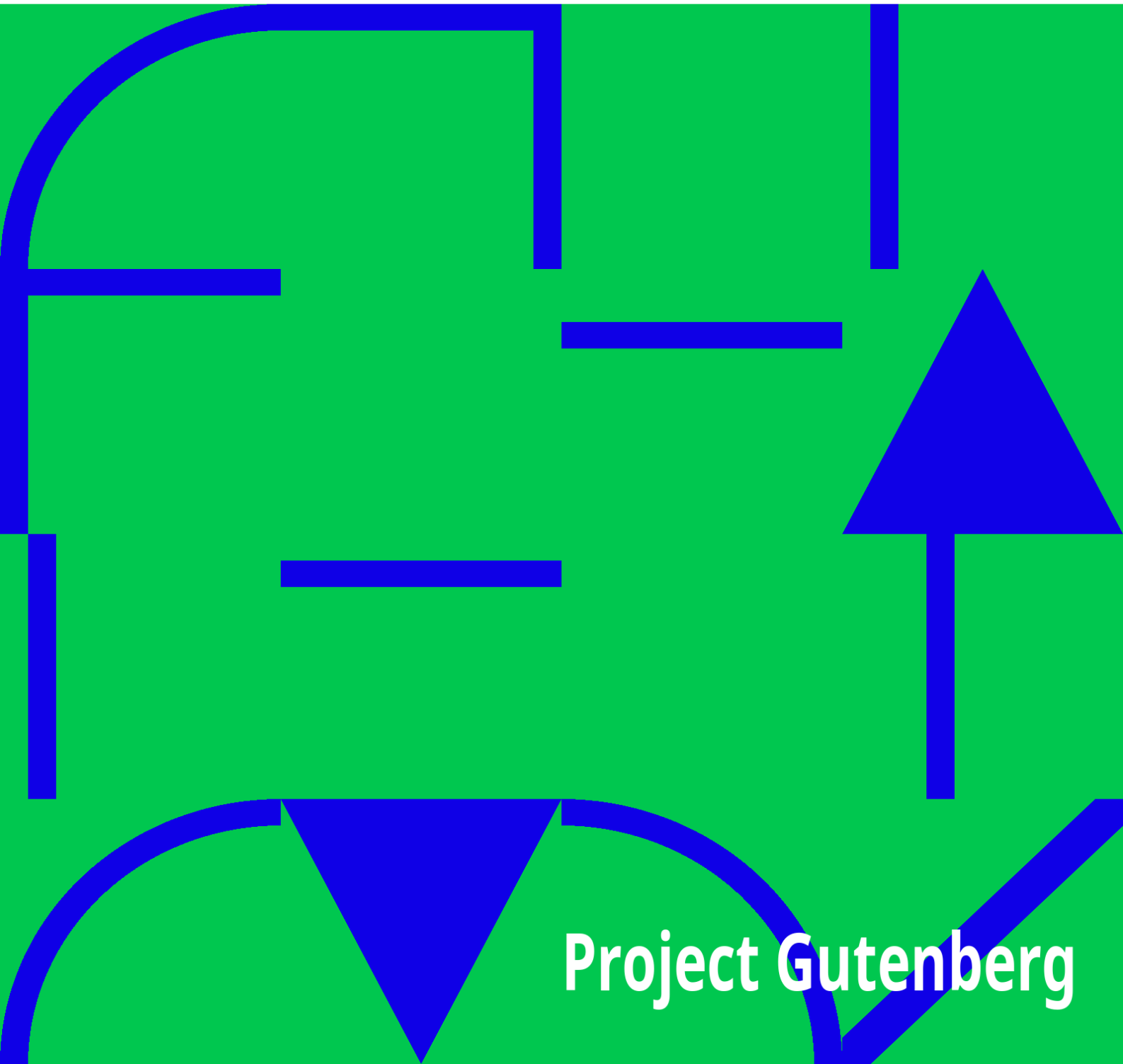
Up To Date Business

Seymour Eaton



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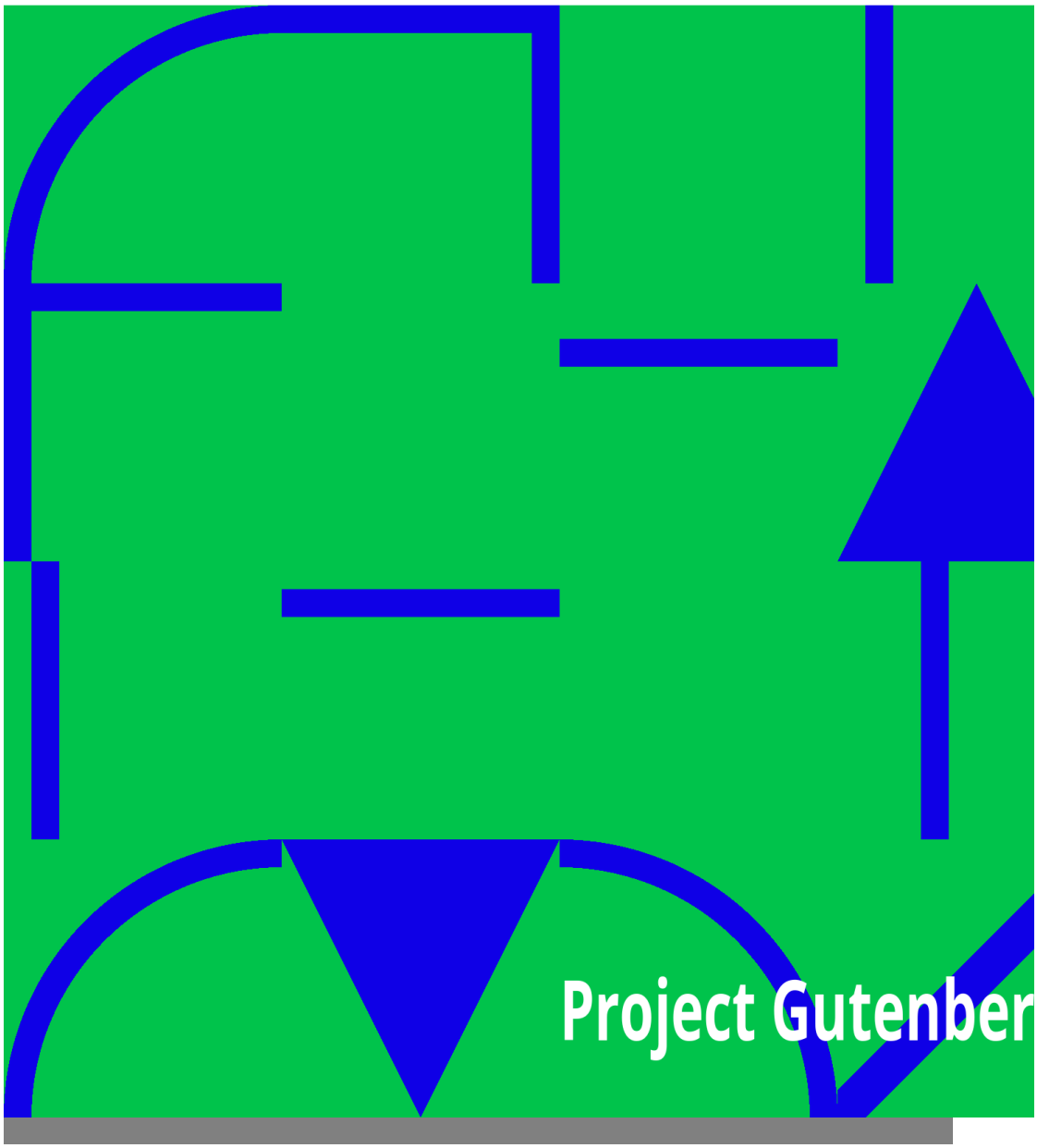

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UP-TO-DATE BUSINESS

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EDITED BY

SEYMOUR EATON

UP TO DATE BUSINESS

INCLUDING

LESSONS IN BANKING, EXCHANGE, BUSINESS GEOGRAPHY, FINANCE, TRANSPORTATION AND COMMERCIAL LAW

FROM THE CHICAGO RECORD

NEW YORK
THE DOUBLEDAY & McCLURE CO.
1900

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GENERAL BUSINESS INFORMATION

I. COMMERCIAL TERMS AND USAGES

HERE is a distinction between the usage of the names COMMERCE and BUSINESS. The interchange of products and manufactured articles between countries, or even between different sections of the same country, is usually referred to as *commerce*. The term *business* refers more particularly to our dealings at home—that is, in our own town or city. Sometimes this name is used in connection with a particular product, as the *coal* business or the *lumber* business, or in connection with a particular class, as the *dry-goods* business or the *grocery* business. The name *commerce*, however, seldom admits of a limited application. In the United States TRADE is synonymous with *business*. The word TRAFFIC applies more especially to the conveyance than to the exchange of products; thus we refer to *railroad* traffic or *lake* traffic. PRODUCTS, when considered articles of trade, are called *merchandise, goods, wares*. The term MERCHANDISE has the widest meaning, and includes all kinds of movable articles bought or sold. GOODS is applied more particularly to the supplies of a merchant. WARES is commonly applied to utensils, as *glassware*, *hardware*, etc.

GROSS commonly means coarse or bulky. In trade it is used with reference to both money and goods. The *gross* weight of a package includes the weight of the

case or wrappings. The larger sum in an account or bill —that is, the sum of money before any allowance or deductions are made—is the *gross* amount of the bill. The word NET is derived from a Latin word meaning neat, clean, unadulterated, and indicates the amount of goods or money after all the deductions have been made. To say that a price is *net* is to indicate that no further discount will be made.

The word FIRM relates to solidity, establishment, strength, and in a business sense signifies two or more persons united in partnership for the purpose of trading. The word HOUSE is very frequently used in the same sense. In mercantile usage *house* does not mean the building in which the business is conducted, but the men who own the business, including, perhaps, the building, stock, plant, and business reputation. The name CONCERN is often used in a very similar way.

The name MARKET expresses a locality for the sale of goods, and in commerce is often used to denote cities or even countries. We say that Boston is a leather market, meaning that a large number of Boston merchants buy and sell leather. In the same sense we call Chicago a grain market, or New Orleans a cotton market. In its more restricted sense the name *market* signifies a building or place where meat or produce is bought and sold. We say that the *market is flooded* with a particular article when dealers are carrying more of that article than they can find sale for. There is *no market* for any product when there is no demand. The money market is *tight* or *close* when it is difficult to borrow money from banks and money-lenders.

II. COMMERCIAL TERMS AND USAGES
(*Continued*)

THE NATURAL RESOURCES of a country are mainly the mineral commodities and agricultural produce that it

yields. The lumber and fish produced in a country are also among its natural resources. The positions and industries of cities are usually fixed by natural conditions, but the most powerful agent is the personal energy of enterprising and persevering men, who, by superior education, or scientific knowledge, or practical foresight, have often been able to found industrial centres in situations which no geographical considerations would suggest or explain.

COMMISSION MERCHANTS receive and sell goods belonging to others for a compensation called a commission. A SELLING AGENT is a person who represents a manufacturing establishment in its dealings with the trade. The factory may be located in a small town, while the selling agent has his office and samples in the heart of a great city. As regards the quantity of goods bought or sold in a single transaction, trade is divided into WHOLESALE and RETAIL. The wholesale dealer sells to other dealers, while the retail dealer sells to the consumer—that is, the person who *consumes*, or uses, the goods. A JOBBER is one who buys from importers and manufacturers and sells to retailers. He is constantly in the market for bargains. The names JOBBER and WHOLESALER are often used in the same sense, but a jobber sometimes sells to wholesalers. WHOLESALE has reference to the quantity the dealer sells, and not to the source from which he buys, or the person to whom he sells. The wholesaler, as a rule, deals in STAPLES—that is, goods which are used season after season—though of course there are wholesalers in practically all businesses.

Wholesale dealers send out TRAVELLERS or DRUMMERS, who carry samples of the goods. Frequently the traveller starts out with his samples from six months to a year in advance of the time of delivery. It is quite a common thing for the retailer to order from samples merchandise which at the time of placing the order may not even be manufactured.

By the PRICE of a commodity is meant its value estimated in money, or the amount of money for which it will exchange. The exchangeable value of commodities depends at any given period partly upon the expense of production and partly upon the relation of supply and demand. Prices are affected by the creation of monopolies, by the opening of new markets, by the obstructing of the ordinary channels of commercial intercourse, and by the anticipation of these and other causes. It is the business of the merchant to acquaint himself with every circumstance affecting the prices of the goods in which he deals.

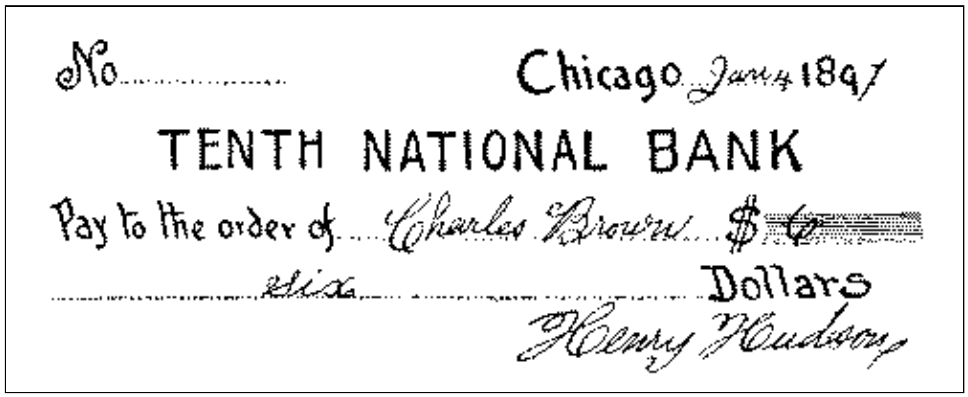
The entire world is the field of the modern merchant. He buys raw and manufactured products wherever he can buy cheapest, and he ships to whatever market pays him the highest price. Our corner grocer or produce-dealer may furnish us with beef from Texas, potatoes from Egypt, celery from Michigan, onions from Jamaica, coffee from Java, oranges from Spain, and a hundred other things from as many different points; and yet, so complete is the interlocking of the world's commercial interests, and so great is the speed of transportation, that he can supply us with these necessaries under existing conditions more easily and readily than if they were all grown on an adjoining farm.

III. BANK CHEQUES

A CHEQUE is an order for money, drawn by one who has funds in the bank. It is payable on demand. In reality, it is a *sight draft* on the bank. Banks provide blank cheques for their customers, and it is a very simple matter to fill them out properly. In writing in the amount begin at the extreme left of the line.

The illustration given below shows a poorly written cheque and one which could be very easily *raised*. A

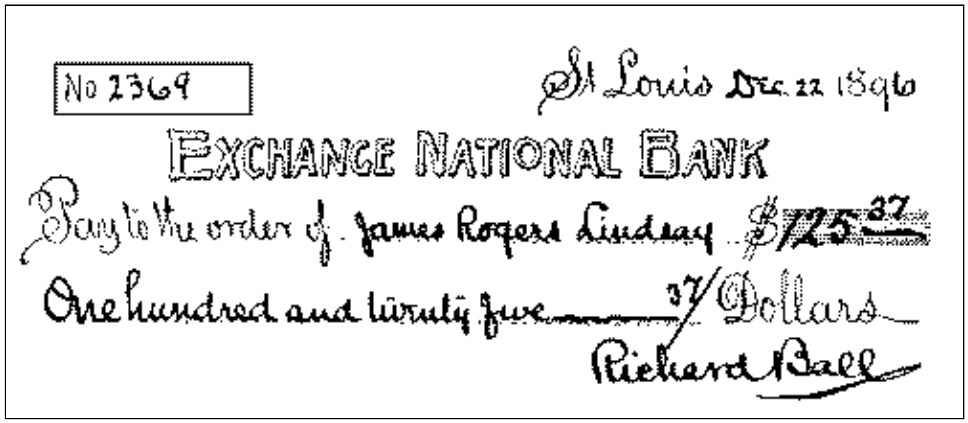
fraudulent receiver could, for instance write, "*ninety*" before the "*six*" and "9" before the figure "6," and in this way raise the cheque from $6 to $96. If this were done and the cheque cashed, the maker, and not the bank, would become responsible for the loss. You cannot hold other people responsible for your own carelessness. A cheque has been raised from $100 to $190 by writing the words "*and ninety*" after the words "*one hundred*." One of the ciphers in the figures was changed to a "9" by adding a tail to it. It is wise to draw a running line, thus ~~~~~, after the amount in words, thus preventing any additional writing.



A poorly drawn cheque.

The illustration on page 8 shows a cheque carefully and correctly drawn. The signature should be in your usual style, familiar to the paying teller. Sign your name the same way all the time. Have a characteristic signature, as familiar to your friends as is your face.

A cheque is a draft or order upon your bank, and it need not necessarily be written in the prescribed form. Such an order written on a sheet of note-paper with a lead-pencil might be in every way a legally good cheque.



A carefully drawn cheque.

Usually cheques should be drawn "*to order*." The words "*Pay to the order of John Brown*" mean that the money is to be paid to John Brown, or to any person that he *orders* it paid to. If a cheque is drawn "*Pay to John Brown or Bearer*" or simply "*Pay to Bearer*," any person that is the bearer can collect it. The paying teller may ask the person presenting the cheque to write his name on the back, simply to have it for reference.

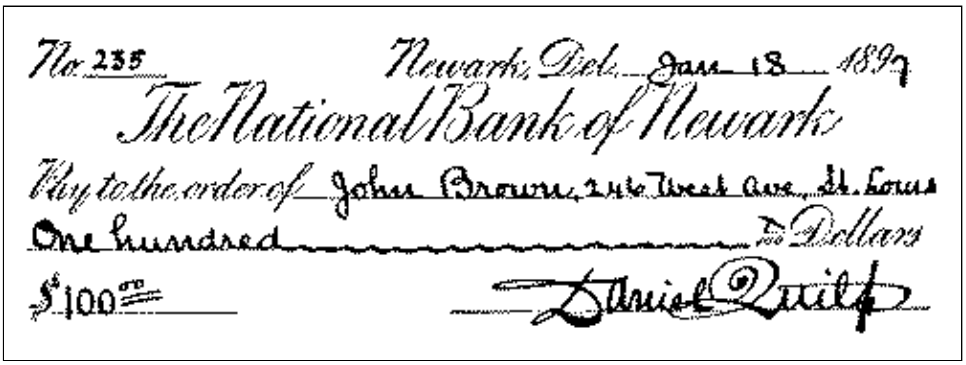
In writing and signing cheques use good black ink and let the copy dry a little before a blotter is used.

The subject of indorsements will be treated in a subsequent lesson.

IV. BANK CHEQUES (*Continued*)

The banks of this country make it a rule not to cash a cheque that is drawn payable to order, unless the person presenting the cheque is known at the bank, or unless he satisfies the paying teller that he is really the person to whom the money should be paid. It must be remembered however, that a cheque drawn to order and then indorsed in blank by the payee is really payable to

bearer, and if the paying teller is satisfied that the payee's signature is genuine he will not likely hesitate to cash the cheque. In England all cheques apparently properly indorsed are paid without identification.



A cheque drawn so as to insure payment to proper party.

In drawing a cheque in favour of a person not likely to be well known in banking circles, write his address or his business after his name on the face of the cheque. For instance, if you should send a cheque to John Brown, St. Louis, it might possibly fall into the hands of the wrong John Brown; but if you write the cheque in favour of "John Brown, 246 West Avenue, St. Louis," it is more than likely that the right person will collect it.

If you wish to get a cheque cashed where you are unknown, and it is not convenient for a friend who has an account at the bank to go with you for the purpose of identification, ask him to place his signature on the back of your cheque, and you will not likely have trouble in getting it cashed at the bank where your friend keeps his account. By placing his signature upon the back of the cheque he guarantees the bank against loss. A bank is responsible for the signatures of its depositors, but it cannot be supposed to know the signatures of indorsers. The reliable identifier is in reality the person who is responsible.

INDORSING CHEQUES

1. In indorsing cheques note the following points:

2. Write across the back—not lengthwise.

3. If your indorsement is the first, write it about two inches from the top of the back; if it is not the first indorsement, write immediately under the last indorsement.

4. Do not indorse wrong end up; the top of the back is the left end of the face.

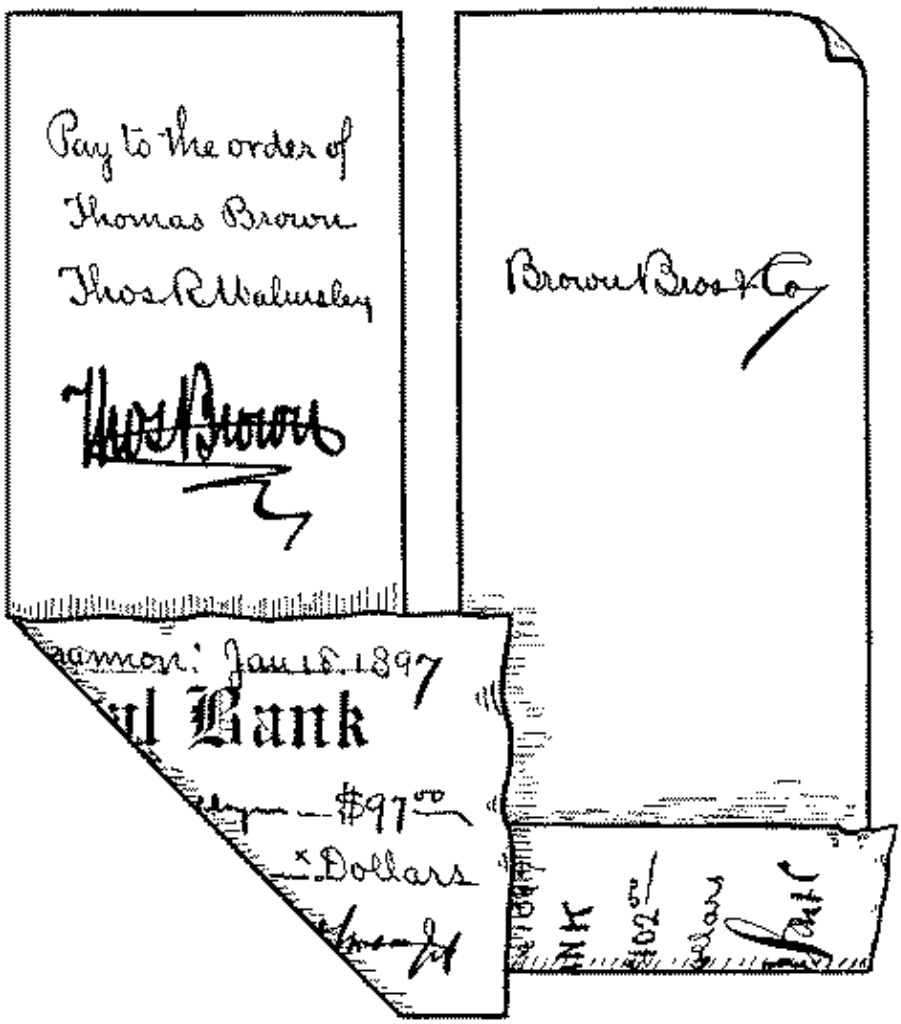
5. Write your name as you are accustomed to write it, no matter how it is written on the face. If you are depositing the cheque write or stamp "For Deposit" or "Pay to _____BANK_____," as may be the custom, over your signature. This is hardly necessary if you are taking the cheque yourself to the bank. A cheque with a simple or blank indorsement on the back is payable to bearer, and if lost the finder might succeed in collecting it; but if the words "For Deposit" appear over the name the bank officials understand that the cheque is intended to be deposited, and they will not cash it.

6. If you wish to make the cheque payable to some particular person by indorsing, write "PAY TO _____(NAME)_____ or ORDER," and under this write your own name as you are accustomed to sign it.

7. Do not carry around indorsed cheques loosely. Such cheques are payable to bearer and may be collected by any one.

8. If you receive a cheque which has been transferred to you by a BLANK indorsement (name of indorser only), and you wish to hold it a day or two, write over the indorsement the words "PAY TO THE ORDER OF (yourself—writing your own

name)." This is allowable legally. The cheque cannot then be collected until you indorse it.



A cheque payable to order and a blank indorsement.

9. An authorised stamped indorsement is as good as a written one. Whether such indorsements are accepted or not depends upon the regulations of the clearing-house in the particular city in which they are offered for deposit. The written indorsement is considered safer for transmission of out-of-town collections.

10. If you are indorsing for a company, or society, or corporation, write first the name of the company

(this may be stamped on) and then your own name, followed by the word "TREAS."

11. If you have power of attorney to indorse for some particular person, write his name, followed by your own, followed by the word "ATTORNEY" or "ATTY.," as it is usually written.

12. It is sometimes permissible to indorse the payee's name thus, "BY _____(your own name)." This may be done by a junior member of a concern when the person authorised to indorse cheques is absent and the cheques are deposited and not cashed.

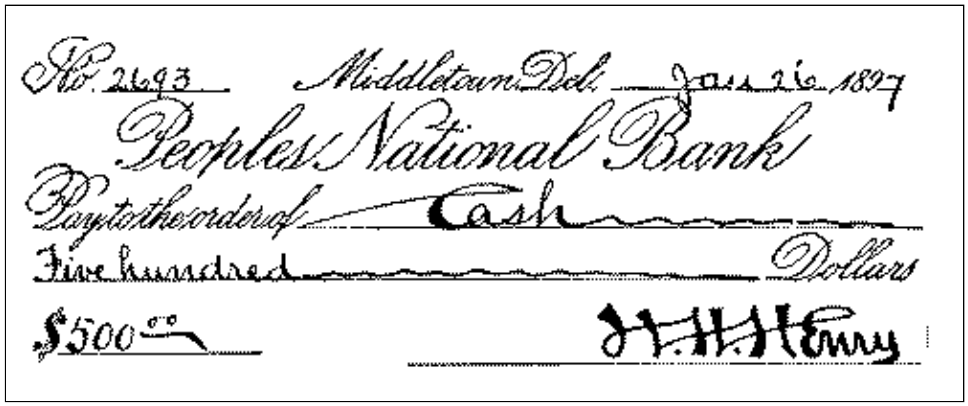
13. Do not write any unnecessary information on the back of your cheque. A story is told of a woman who received a cheque from her husband, and when cashing it wrote "Your loving wife" above her name on the back.

V. BANK CHEQUES (*Continued*)

If you wish to draw money from your own account, the most approved form of cheque is written "Pay to the order of *Cash*." This differs from a cheque drawn to "*Bearer*." The paying teller expects to see yourself, or some one well known to him as your representative, when you write "Cash." If you write "Pay to the order of (*your own name*)" you will be required to indorse your cheque before you can get it cashed.

If your note is due at your own bank and you wish to draw a cheque in payment, write "Pay to the order of *Bills Payable*." If you wish to write a cheque to draw money for wages, write "Pay to the order of *Pay-roll*." If you wish to write a cheque to pay for a draft which you are buying, write "Pay to the order of *N. Y. Draft*

and Exchange," or whatever the circumstances may call for.



A cheque made to obtain money for immediate use.

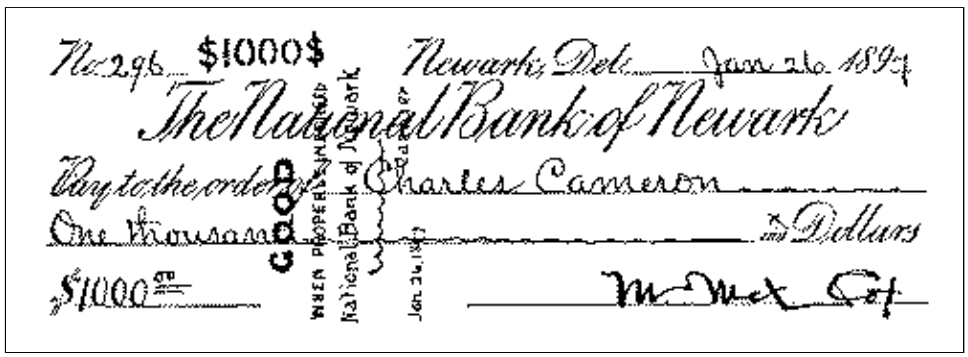
If you wish to stop the payment of a cheque which you have issued you should notify the bank at once, giving full particulars.

Banks have a custom, after paying and charging cheques, of cancelling them by punching or making some cut through their face. These cancelled cheques are returned to the makers at the end of each month.

If you have deposited a cheque and it is returned through your bank marked "*No Funds*," it signifies that the cheque is worthless and that the person upon whose account it was drawn has no funds to meet it. Your bank will charge the amount to your account. The best thing to do in such a case is to hold the cheque as evidence of the debt, and write the person who sent it to you, giving particulars and asking for an explanation.

If you wish to use your cheque to pay a note due at some other bank, or in buying real estate, or stocks, or bonds, you may find it necessary to get the cheque *certified*. This is done by an officer of the bank, who writes or stamps across the face of the cheque the words "*Certified"* or "*Good When Properly Indorsed*,"

and signs his name. (*See illustration.*) The amount will immediately be deducted from your account, and the bank, by guaranteeing your cheque, becomes responsible for its payment. Banks will usually certify any cheque drawn upon them if the depositor has the amount called for to his credit, no matter who presents the cheque, and this certifying makes it feasible for a man to carry in his pocket any amount of actual cash. If you should get a cheque certified and then not use it, deposit it in your bank, otherwise your account will be short the amount for which the cheque is drawn. In Canada all cheques are presented to the "ledger-keeper" for certification before being presented to the paying teller.



A certified cheque.

THE USEFULNESS OF BANKS

Banks are absolutely necessary to the success of modern commercial enterprises. They provide a place for the safe-keeping of money and securities, and they make the payment of bills much more convenient than if currency instead of cheques were the more largely used. But the great advantage of a banking institution to a business man is the opportunity it affords him of borrowing money, of securing cash for the carrying on of his business while his own capital is locked up in merchandise or in the hands of his debtors. Another

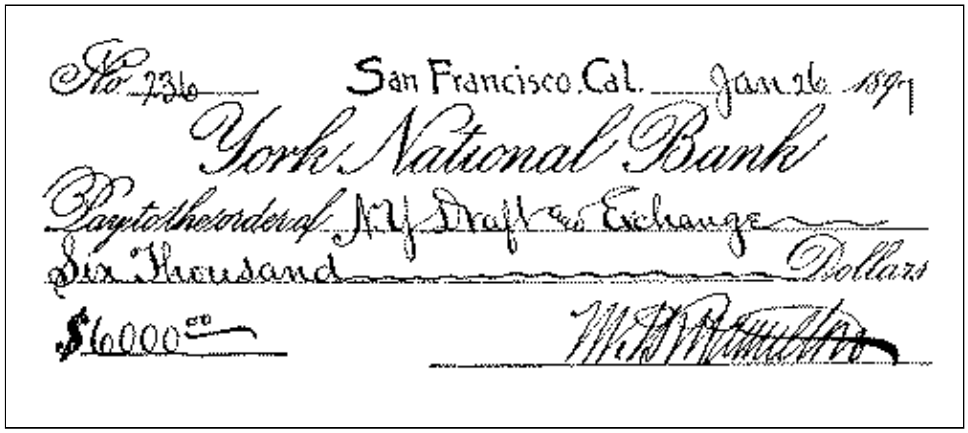
important advantage is to be found in the facilities afforded by banks for the collection of cheques, notes, and drafts.

VI. BANK DRAFTS

A draft is a formal demand for the payment of money. Your bank cheque is your sight draft on your bank. It is not so stated, but it is so understood. A cheque differs from an ordinary commercial draft, both in its wording and in its purpose. The bank is obliged to pay your cheque if it holds funds of yours sufficient to meet it, while the person upon whom your draft is drawn may or may not honour it at his pleasure. A cheque is used for paying money to a creditor, while a draft is used as a means of collecting money from a debtor.

Nearly all large banks keep money on deposit with one or more of the banks located in the great commercial centres. They call these centrally located banks their *correspondents*. The larger banks have correspondents in New York, Chicago, Boston, and other large cities. As business men keep money on deposit with banks to meet their cheques, so banks keep money on deposit with other banks to meet their drafts.

A BANK DRAFT is simply the bank's cheque, drawn upon its deposit with some other bank. Banks sell these cheques to their customers, and merchants make large use of them in paying bills in distant cities. These drafts, or CASHIERS' CHEQUES, as they are sometimes called, pass as cash anywhere within a reasonable distance of the money centre upon which they are drawn. Bankers' drafts on New York would, under ordinary financial conditions, be considered cash anywhere in the United States. A draft on a foreign bank is usually called a BILL OF EXCHANGE.


No. 736 San Francisco, Cal. Jan. 26 1897

York National Bank

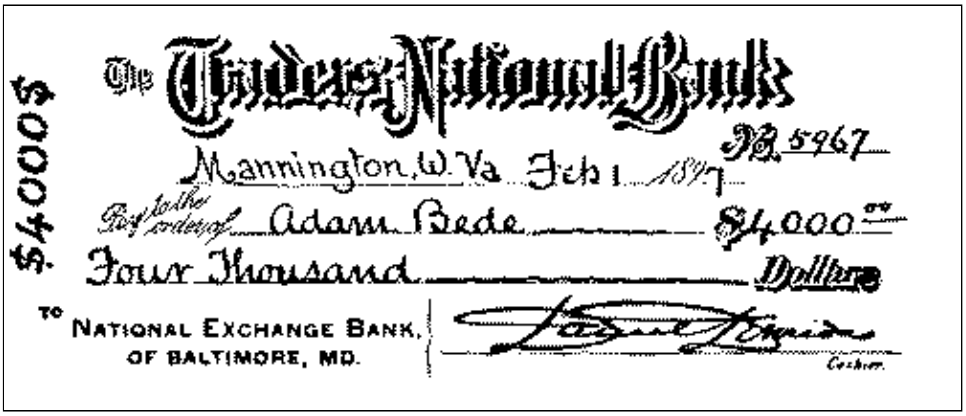
Pay to the order of N.Y. Draft & Exchange

Six Thousand Dollars

$6000 00

A cheque for the purchase of a draft.

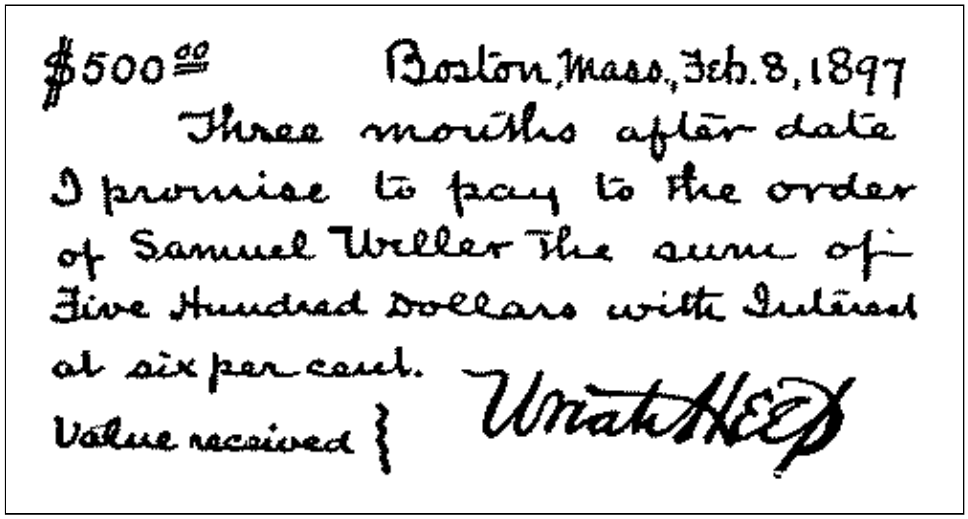
Cheques have come to be quite generally used for the payment of bills even at long distances. If a business man desires to close an important contract requiring cash in advance he sends a bank draft, if at a distance, or a certified cheque, if in the same city. If he desires simply to pay a debt he sends his own personal cheque. Bank drafts are quite generally used by merchants in the West to pay bills in the East. A draft on New York bought in San Francisco is cash when it reaches New York, while a San Francisco cheque is not cash until it returns and is cashed by the bank upon which it is drawn. In the ordinary course of business cheques are considered cash no matter upon what bank drawn. The bank receiving them on deposit gives the depositor credit at once, even though it may take a week before the value represented by the cheque is in the possession of the bank.



A bank draft.

All wholesale transactions and a large proportion of retail transactions are completed by the passing of instruments of credit—notes, cheques, drafts, etc.; a part only of the retail trade is conducted by actual currency-bills and "change." Banks handle the bulk of these transferable titles and deal to a very small extent —that is, proportionally—in actual money. The notes, drafts, bills of exchange, and bank cheques are representative of the property passing by title in money from the producers to the consumers. A small proportion—perhaps six or eight per cent.—of these transactions is conducted by the use of actual bank or legal-tender notes. This trade in instruments of credit amounts in the United States to fifty billions of dollars yearly.

VII. PROMISSORY NOTES

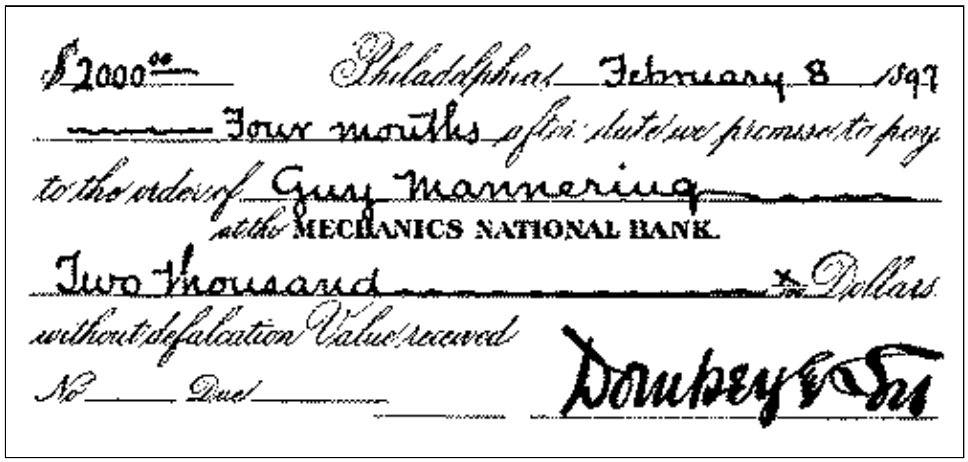


Ordinary form of promissory note.

A PROMISSORY NOTE is a written promise to pay a specified sum of money. At the time of the note's issue —that is, when signed and delivered—two parties are connected with it, the *maker* and the *payee*. The maker is the person who signs or promises to pay the note; the payee is the person to whom or to whose order the note is made payable. NEGOTIABLE in a commercial sense means *transferable*, and a negotiable note is a note which can be transferred from one person to another. A note to be made negotiable must contain the word *bearer* or the word *order*—that is, it must be payable either *to bearer*, or *to the order* of the payee. A NON-NEGOTIABLE note is payable to a particular person *only*. A note may be written on any kind of paper, in ink or pencil. It is wise, however, to use ink to prevent changes. All stationers sell blank forms for notes which are easily filled in.

The samples of notes which appear in this lesson are selected simply to illustrate to students the fact that there are a great many special forms of notes in common use. The wording differs slightly in different States.

The DATE of a note is a matter of the first importance. Some bankers and business men consider it better to draw notes payable at a certain fixed time, as, "*I promise to pay on the 10th of March, 1897*." The common custom is to make notes payable a certain number of days or months after date. A note made or issued on Sunday is void. The DAY OF MATURITY is the day upon which a note becomes legally due. In several of the States a note is not legally due until three days, called DAYS OF GRACE, after the expiration of the time specified in the note.


$2000 Philadelphia, February 8 1897
Four months after date we promise to pay
to the order of Guy Mannering
at the MECHANICS NATIONAL BANK
Two Thousand Dollars
without defalcation Value received
No. Due
Doubey & Co

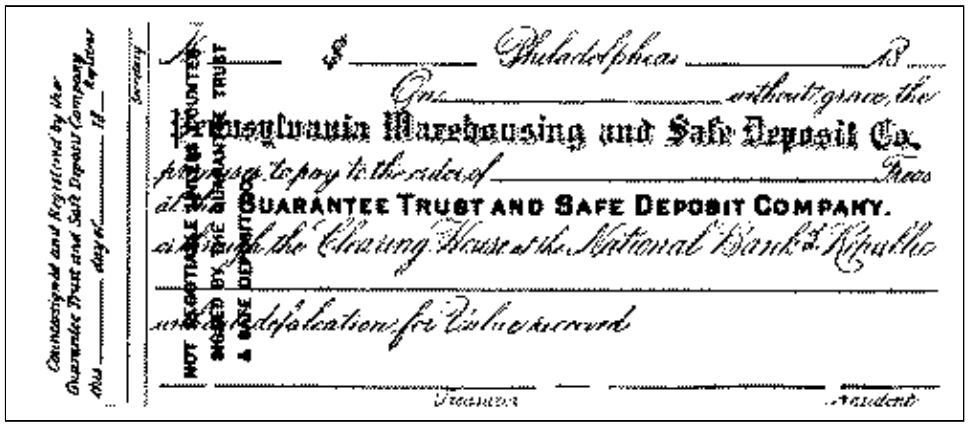
A promissory note filled out on an engraved blank.

The words VALUE RECEIVED, which usually appear upon notes, are not necessary legally. Thousands of good notes made without any value consideration are handled daily.

The PROMISE TO PAY of a negotiable note must be unconditional. It cannot be made to depend upon any contingency whatever.

Notes that are made in settlement of genuine business transactions come under the head of regular, legitimate business paper. An ACCOMMODATION note is one which is signed, or indorsed, simply as an accommodation, and not in settlement of an account or in payment of an indebtedness. With banks accommodation paper has a

deservedly hard reputation. However, there are all grades and shades of accommodation paper, though it represents no actual business transaction between the parties to it, and rests upon no other foundation than that of mutual agreement. No contract is good without a consideration, but this is only true between the original parties to a note. The third party or innocent receiver or holder of a note has a good title, and can recover its value, even though it was originally given without a valuable consideration. An innocent holder of a note which had been originally lost or stolen has a good title to it if he received it for value.



A special form for a promissory note.

A note does not draw interest until after maturity, unless the words WITH INTEREST appear on the face. Notes draw interest after maturity and until paid, at the legal rate.

A note should be presented for payment upon the exact day of maturity. Notes made payable at a bank, or at any other place, must be presented for payment at the place named. When no place is specified the note is payable at the maker's place of business or at his residence.

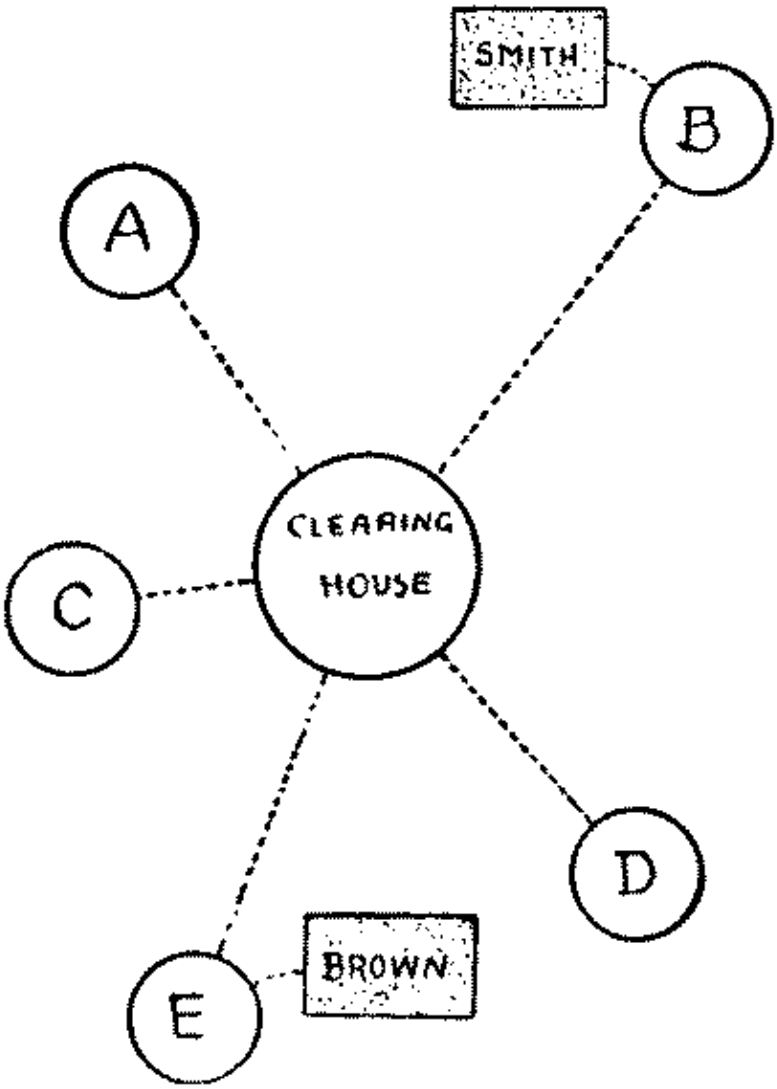
In finding the date of maturity it is important to remember that when a note is drawn *days after date* the

actual days must be counted, and when drawn *months after date* the time is reckoned by months.

To DISCOUNT a note is to sell it at a discount. The rates of discount vary according to the security offered, or the character of the loan, or the state of the money market. For ordinary commercial paper the rates run from four to eight per cent. Notes received and given by commercial houses and discounted by banks are not usually for a longer period than four months.

VIII. THE CLEARING-HOUSE SYSTEM

In large cities cheques representing millions of dollars are deposited in the banks every day. The separate collection of these would be almost impossible were it not for the clearing-house system. Each large city has its clearing-house. It is an establishment formed by the banks themselves, and for their own convenience. The leading banks of a city connect themselves with the clearing-house of that city, and through other banks with the clearing-houses of other cities, particularly New York. Country banks connect themselves with one or more clearing-houses through city banks, which do their business for them. The New York banks, largely through private bankers, branches of foreign banking houses, connect themselves with London, so that each bank in the world is connected indirectly with every other bank in the world, and in London is the final clearing-house of the world.

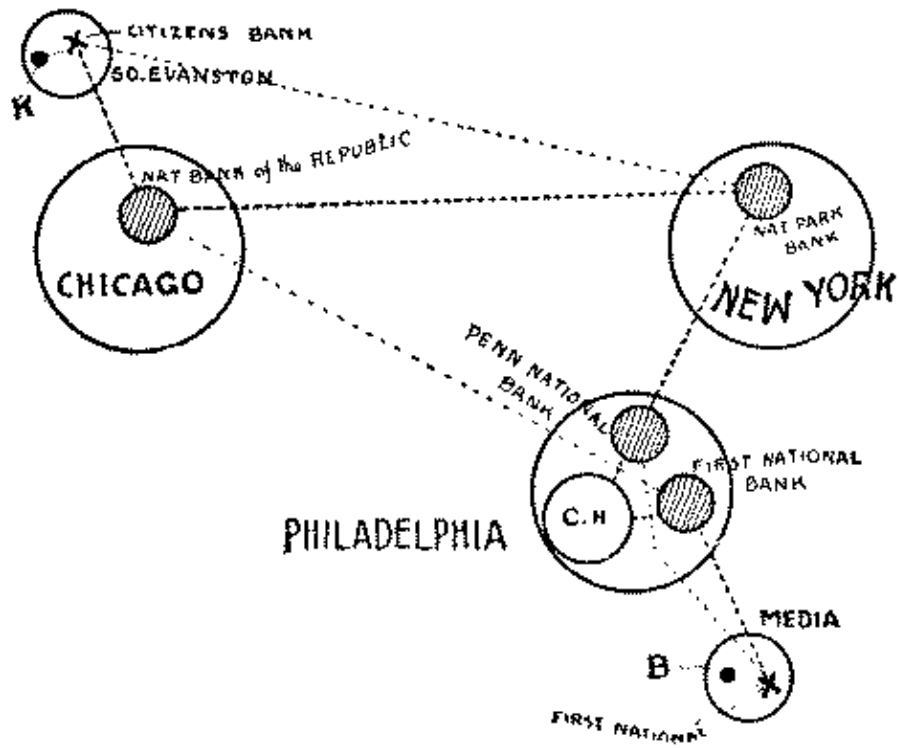


The advantages of the clearing-house system.

Suppose that the above diagram represents the banks and clearing-house of a city, and also the two business houses of Brown and Smith. Brown keeps his money on deposit in Bank E, and Smith in Bank B. Brown sends (by mail) a cheque to Smith in payment of a bill. Now, Smith can come all the way to Bank E, and, if he is properly identified, can collect the cheque. He does not do this, however, but deposits Brown's cheque in Bank B, the bank where he does his banking business. Now, B cannot send to E to get the money. It could do

this, perhaps, if it had only one cheque, but it has taken in hundreds of cheques, some, perhaps, on every bank in town, and on many banks out of town. It would take a hundred messengers to collect them. So, instead of B's going to E, they meet half-way, or at a central point called a clearing-house, and there collect their cheques. B may have $5000 in cheques on E, and E may have $4000 in cheques on B, so that the exchange can be made—that is, the cheques can be paid by E paying the difference of $1000, which is done, not direct, but through the officers of the clearing-house. Now Bank E's messenger carries Brown's cheque back with him and enters it up against Brown's account. This in simple language is the primary idea of the clearing-house.

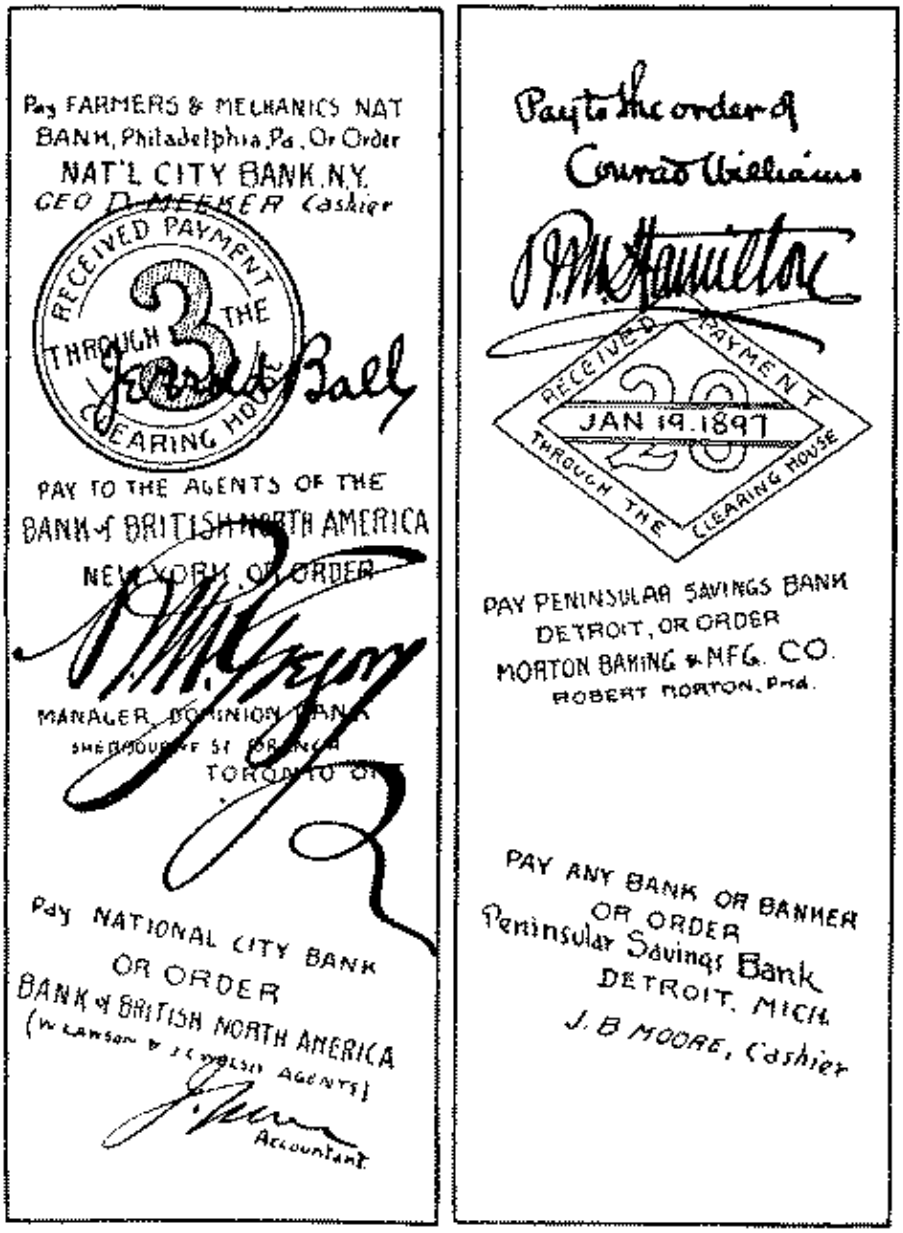
The clearings in New York in one day amount to from one to two hundred millions of dollars. By clearings we mean the value of the cheques which are *cleared*—that is, which change hands through the clearing-house. Usually once a week (in some cities oftener) the banks of a city make to their clearing-house a report, based on daily balances, of their condition.



The route of a cheque.

To illustrate the connection between banks at distant points let us suppose that B of Media, Pennsylvania, who keeps his money on deposit in the First National Bank of Media, sends a cheque in payment of a bill to K of South Evanston, Illinois. K deposits the cheque in the Citizens Bank of his town and receives immediate credit for it upon his bank-book, just the same as though the cheque were drawn upon the same or a near-by bank. The Citizens Bank simply sends the cheque, with other distant cheques, to its correspondent, the National Bank of the Republic, Chicago, on deposit, in many instances in about the same sense that K deposited the cheque in the Citizens Bank. The National Bank of the Republic sends the cheque, with other cheques, to its New York correspondent, the National Park Bank. It may possibly send to Philadelphia direct, or even to Media; but this is very unlikely. The National Park Bank sends the cheque to its Philadelphia correspondent, say the Penn

National Bank. Now the clearing-house clerk of the Penn National carries the cheque to the Philadelphia clearing-house and enters it, with other cheques, on the First National of Media. Custom, however, differs very greatly in this particular. Many near-by country banks clear through city banks; others clear less directly. If the First National Bank of Philadelphia is known at the clearing-house as the representative of the First National Bank of Media it likely has money belonging to this Media bank on deposit. In that case the cheque is charged up against the account of the First National of Philadelphia. This bank then sends the cheque to the First National of Media, by which it is charged up against B. This system of collection of cheques is about as perfect as is the post-office system of carrying registered mail.



Backs of two paid cheques.

Now, the banks and clearing-houses through which the cheque passes on its way *home* stamp their indorsements and other information upon the back. Our illustration shows the backs of two cheques which have "travelled." Millions of dollars are collected by banks daily in this way, and all without expense to their customers. It is estimated that these collections cost the

New York City banks more than two million dollars a year in loss of interest while the cheques are *en route*. Ten thousand collection letters are sent out daily by the banks of New York City alone.

IX. COMMERCIAL DRAFTS

A COMMERCIAL DRAFT bears a close resemblance to a letter from one person to another requesting that a certain sum of money be paid to the person who calls, or to the bank or firm for whom he is acting. For instance, the draft shown in the first illustration might be worded something like this:

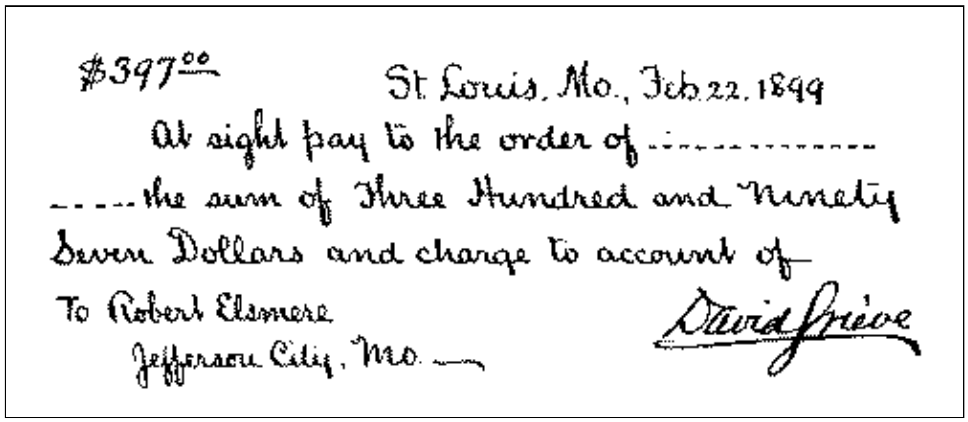
St. Louis, Mo., Feb. 22, 1899.

Mr. Robert Elsmere,
Jefferson City, Mo.

My dear Sir:

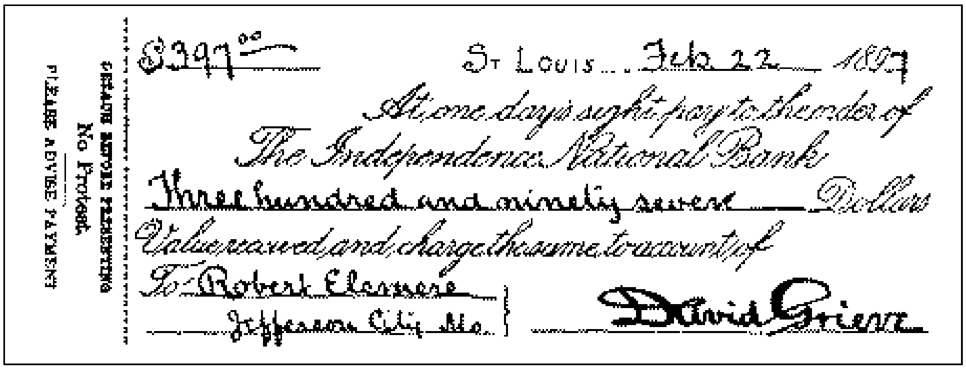
Will you kindly pay to the messenger from the —— Bank who will call to-morrow the sum of three hundred and ninety-seven dollars and charge to my account?

Yours, very truly,
David Grieve.



A sight draft developed from the above letter.

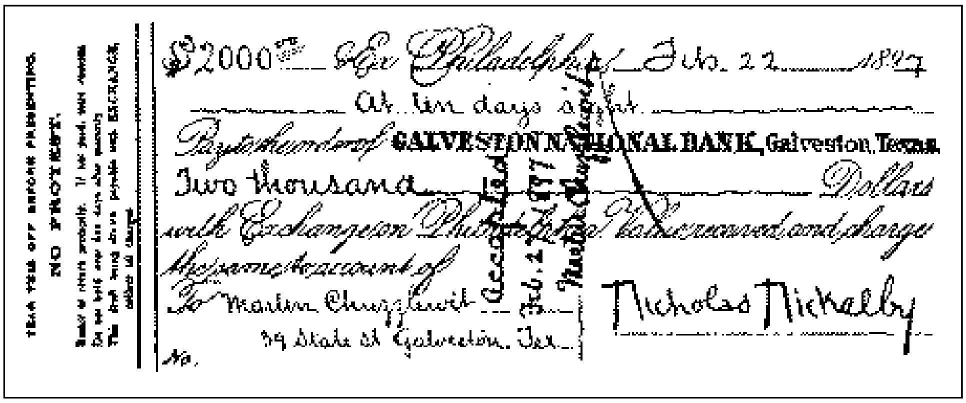
Commercial usage, however, recognises a particular form in which this letter is to be written, and the address of the person for whom it is intended is usually written at the lower left-hand corner instead of on an envelope. Commercial drafts usually reach the persons upon whom they are drawn through the medium of the banks rather than directly by mail. Let us illustrate. Suppose that A of Chicago owes B of Buffalo $200, and B desires to collect the amount by means of a draft. He fills in a blank draft, signs it, and addresses it on the lower left-hand corner to A. Instead of sending it by mail he takes it to his bank—that is, deposits it for collection. It will reach a Chicago bank in about the same way that cheques for collection go from one place to another. A messenger from the Chicago bank will carry the draft to A's office and present it for payment or for acceptance. If it is a *sight* draft—that is, a draft payable when A sees it—he may give cash for it at once and take the draft as his receipt. If he has not the money convenient he may write across the face "Accepted, payable at (his) Bank," as in the illustration. It will then reach his bank and be paid as his personal cheque would be, and should be entered in his cheque-book. Banks usually give one day upon sight drafts. The draft will not be presented a second time, but will be held at the bank until the close of the banking hours the next day, where A can call to pay if he chooses. Leniency in the matter of time will depend largely upon B's instructions and the bank's attitude toward A. If the draft is a time draft—that is, if B gives A time, a certain number of days, in which to pay it—A, if he wishes to pay the draft, *accepts* it. He does this by writing the word *accepted* with the date and his signature across the face of the draft. He may make it payable at his bank as he would a note, if he so desires. He then returns the draft to the messenger, and if the time is long the draft is returned to B; if only a few days, the bank holds it for collection.


PLEASE ADVISE PAYMENT
No Protest.
DETACH BEFORE PRESENTING

$397.00 St. Louis Feb 22 1897

At one day's sight pay to the order of
The Independence National Bank
Three hundred and ninety seven Dollars
Value received and charge the same to account of
To Robert Elsmere
Jefferson City Mo. } David Grieve

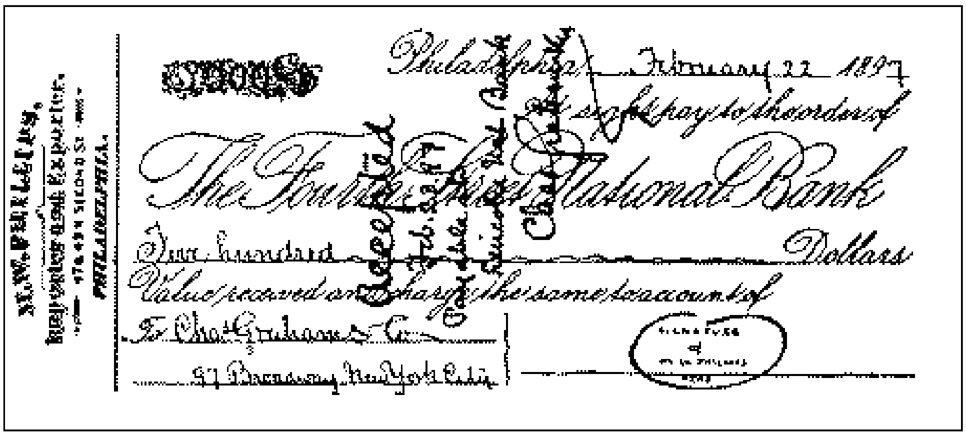
No. 1. A sight draft.


TEAR THIS OFF BEFORE PRESENTING
NO PROTEST.

$2000.00 Ex. Philadelphia Feb. 22 1897
At ten days sight
Pay to the order of GALVESTON NATIONAL BANK, Galveston, Texas.
Two thousand Dollars
with Exchange on Philadelphia Value received and charge
the same to account of
To Martin Chuzzlewit
34 State St. Galveston, Tex. } Nicholas Nickelby
No.

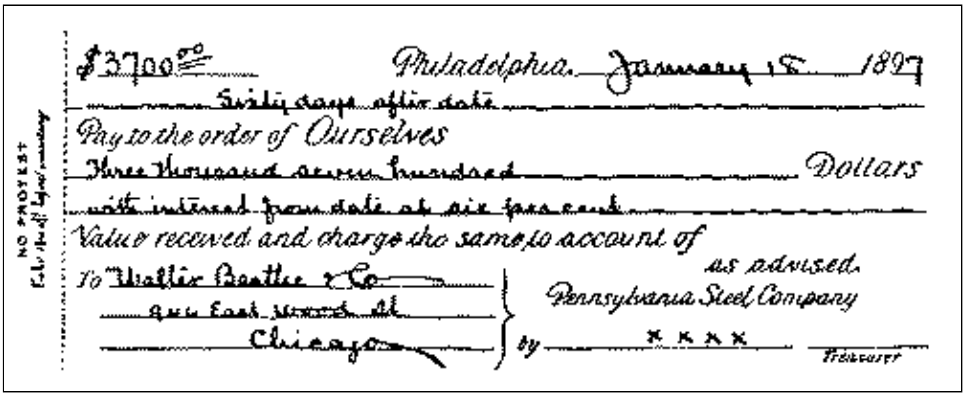
Accepted Feb. 22 1897 Martin Chuzzlewit

No. 2. An accepted ten-day sight draft.


Philadelphia February 22 1897
At sight pay to the order of
The Fourth Street National Bank
Two hundred Dollars
Value received and charge the same to account of
To Chas. Graham & Co.
97 Broadway New York City }

Accepted Feb. 22 1897 ... Chas. Graham & Co.

No. 3. An accepted sight draft.



No. 4. A time draft.

An accepted draft is really a promissory note, though it is more often called an *acceptance*. When a man pays or accepts a draft he is said to *honour* it. In the foregoing illustration A is not obliged either to pay or to accept the draft. It is not binding upon him any more than a letter would be. He can refuse payment just as easily and as readily as he could decline to pay a collector who calls for payment of a bill. Of course, if a man habitually refuses to honour legitimate drafts it may injure his credit with banks and business houses.

It is a very common thing to collect distant accounts by means of commercial drafts. A debtor is more likely to meet—that is, *to pay*—a draft than he is to reply to a letter and inclose his cheque. It is really more convenient, and safer, too, for there is some risk in sending personal cheques through the mail. There are some houses that make all their payments by cheques, while there are others which prefer to have their creditors at a distance draw on them for the amounts due.

If a business man who has been accustomed to honour drafts continues for a period to dishonour them, the banks through which the drafts pass naturally conclude that he is unable to meet his liabilities.

Some houses deposit their drafts for collection in their home banks, while others have a custom of sending them direct to some bank in or near the place where the debtor resides. If the place is a very small one the collection is sometimes made through one of the express companies.

When goods are sold for distinct periods of credit, and it is generally understood that maturing accounts are subject to sight drafts, there should be no need of notifying the debtor in advance. Some houses, however, make a general custom of sending notices ten days in advance, stating that a draft will be drawn if cheque is not received in the meantime.

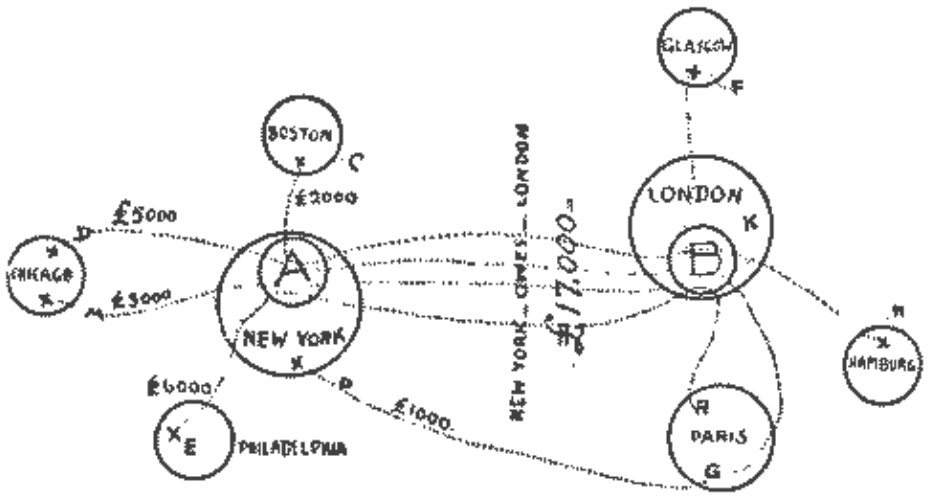
Notice the illustrations. The protest notice at the left of Nos. 1, 2, and 4 is intended for the bank presenting the draft for payment. The reason for this will be fully explained in our lesson on protested paper. (See LESSON XIII.) No. 2 shows an accepted draft payable to the order of a bank in the city upon which it is drawn. No. 1 is payable to the order of a bank in the city of the drawer. No. 3 is a sight draft payable to the order of a bank and accepted payable at a bank. No. 4 is a time draft payable to "*ourselves*"—that is, the Pennsylvania Steel Company.

Drafts are often discounted at banks before acceptance where the credit of the drawer is good. In such cases the drafts which are dishonoured are charged up against the drawer's account.

X. FOREIGN EXCHANGE

It is quite in order that we should follow lessons on the clearing-house and commercial drafts with a lesson on foreign exchange.

We learned in the last lesson that commercial drafts are made use of to facilitate the collection of accounts. They are simply formal demands for the payment of legitimate debts. When these formal demands are made upon foreign debtors they are called bills of exchange; and the process of buying and selling these drafts, the drafts themselves, and the fluctuations in price, all are included in the general name *exchange*.



Foreign exchange.

To illustrate the principles of exchange let us suppose that the following transactions have occurred:

1. C of Boston has sold goods, £2000, to H of Hamburg.

2. D of Chicago has sold goods, £5000, to F of Glasgow.

3. M of Chicago has sold goods, £3000, to K of London.

4. E of Philadelphia has sold goods, £6000, to R of Paris.

5. P of New York has sold goods, £1000, to G of Paris.

C draws on H for £2000, sells the draft to a banking-house in Boston; they send to Bank A of New York, and the New York bank to their London correspondent, say Bank B, with instructions to collect from Hamburg.

D draws in a similar way on F. E draws on R, and P on G. Suppose that M instead of drawing on K receives a draft drawn by Bank B of London on Bank A of New York, payable to M's order.

AMERICA has sold goods worth £17,000 to EUROPE.

EUROPE . . . . . owes £17,000 to . . . . . AMERICA

But B has paid A £3000.

B . . . . . therefore owes £14,000 to . . . . . A

Now it will cost B a considerable sum of money to ship £14,000 in gold to A, for all exchanges between Europe and America are payable in gold. Suppose that S of New York owes T of London £14,000, and T draws on S and takes the draft to Bank B in London and offers it for sale. Will B offer more or less than £14,000 for the bill of exchange or draft? He will offer more. It will be cheaper for him to pay a premium for the draft than to ship gold, for he can send this draft to Bank A to pay his indebtedness, and A can collect from S.

In the money market in New York there is a constant supply of exchanges (drafts) on London, and in London a constant supply of exchanges on New York.

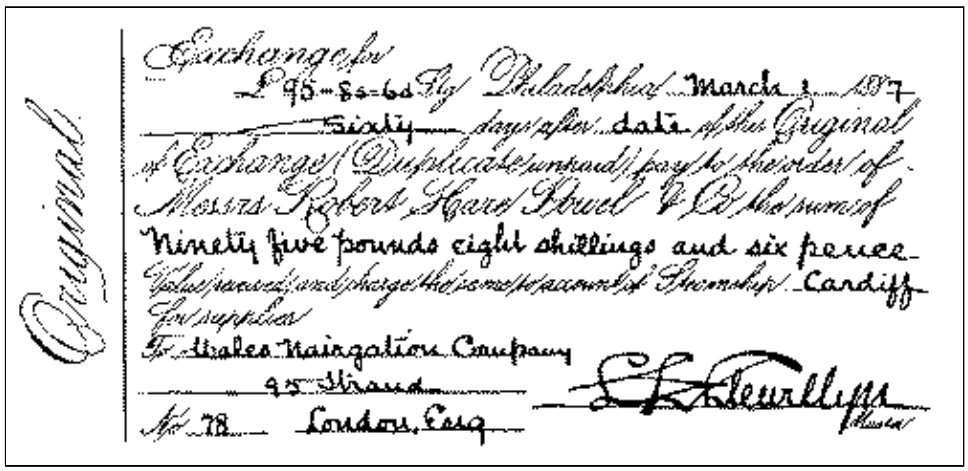
Experience has shown that at all times the number of persons in Europe indebted to American business houses is about (though of course not actually) the same as the number of persons in America indebted to European houses. Hence when A of New York wishes to make a payment to B of London he does not send

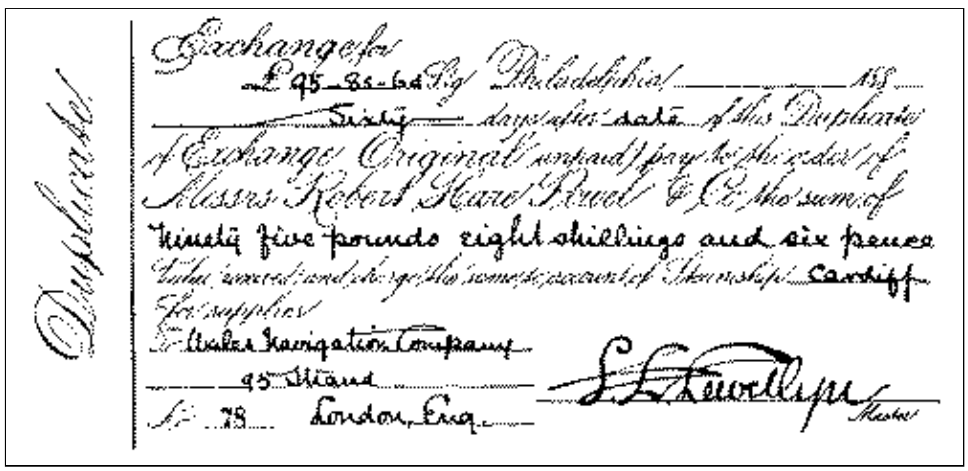
the actual money, but goes into the market—that is, to a banker doing a foreign business—and buys a draft, called a bill of exchange, which is in reality the banker's order on his London correspondent, asking the latter to pay the money to the person named. It may be that about the same time some London merchant who owes money in New York goes to the very same London banker and buys a draft on the New York bank. In this way the one draft cancels the other, and when there is a difference at the end of the week or month the actual gold is sent across to balance the account.

These exchanges have a sort of commodity value, and like all commodities, depend upon the law of supply and demand. When gold is being shipped abroad we say that the balance of trade is against us—that is, we are buying more from Europe than Europe is buying from us, and the gold is shipped to pay the balance or difference.

The *par* of the currency of any two countries means, among merchants, the equivalency of a certain amount of the (coin) currency of the one in the (coin) currency of the other, supposing the currencies of both to be of the precise weight and purity fixed by the respective mints. The par of exchange between Great Britain and the United States is 4.86⅔; that is, £1 sterling is worth $4.86⅔. Exchange is quoted daily in New York and other city papers at 4.87, 4.88, 4.88½, etc., for sight bills and at a higher rate for sixty-day bills. Business men who are accustomed to watching fluctuations in exchange rates use the quotations as a sort of barometer to foretell trade conditions. The imports and exports of bullion (uncoined gold) are the real test of exchange. If bullion is stationary, flowing neither into nor out of a country, its exchanges may be truly said to be at par; and on the other hand, if bullion is being exported from a country, it is a proof that the exchange is against it; and conversely if there be large importations.

The cost of conveying bullion from one country to another forms the limit within which the rise and fall of the *real* exchange between them must be confined. If, for illustration, a New York merchant owes a debt in London and exchange costs him, say, two per cent., and the cost of shipping the gold is only one per cent., it will be to his advantage to pay the debt by sending the actual coin across. A favourable *real* exchange operates as a duty on exportation and as a bounty on importation.

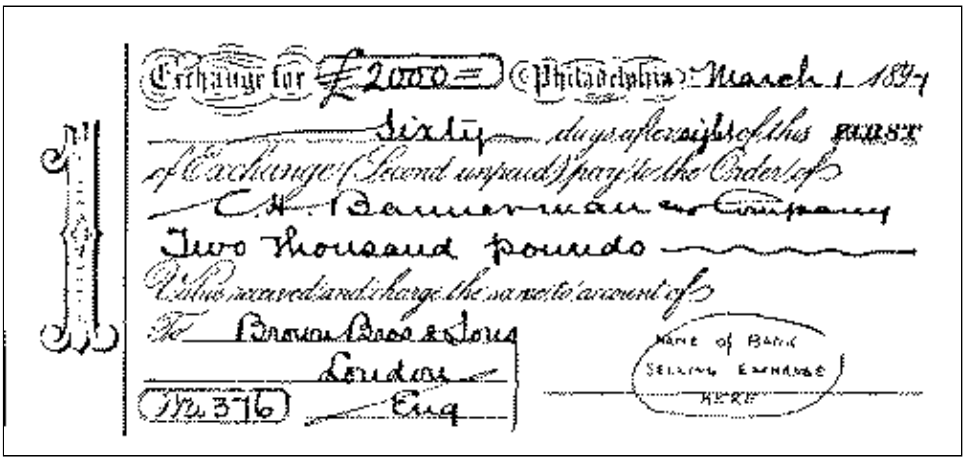


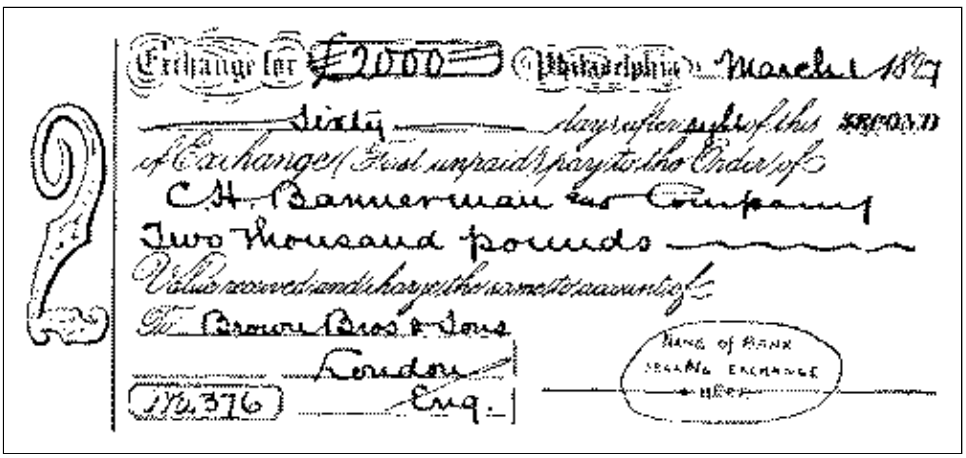


A bill of exchange (private).

It is to the interest of merchants or bankers who deal in foreign bills to buy them where they are the cheapest

and to sell them where they are the dearest. For this reason it might often be an advantage for a New York merchant to buy a bill on London to pay a debt in Paris.



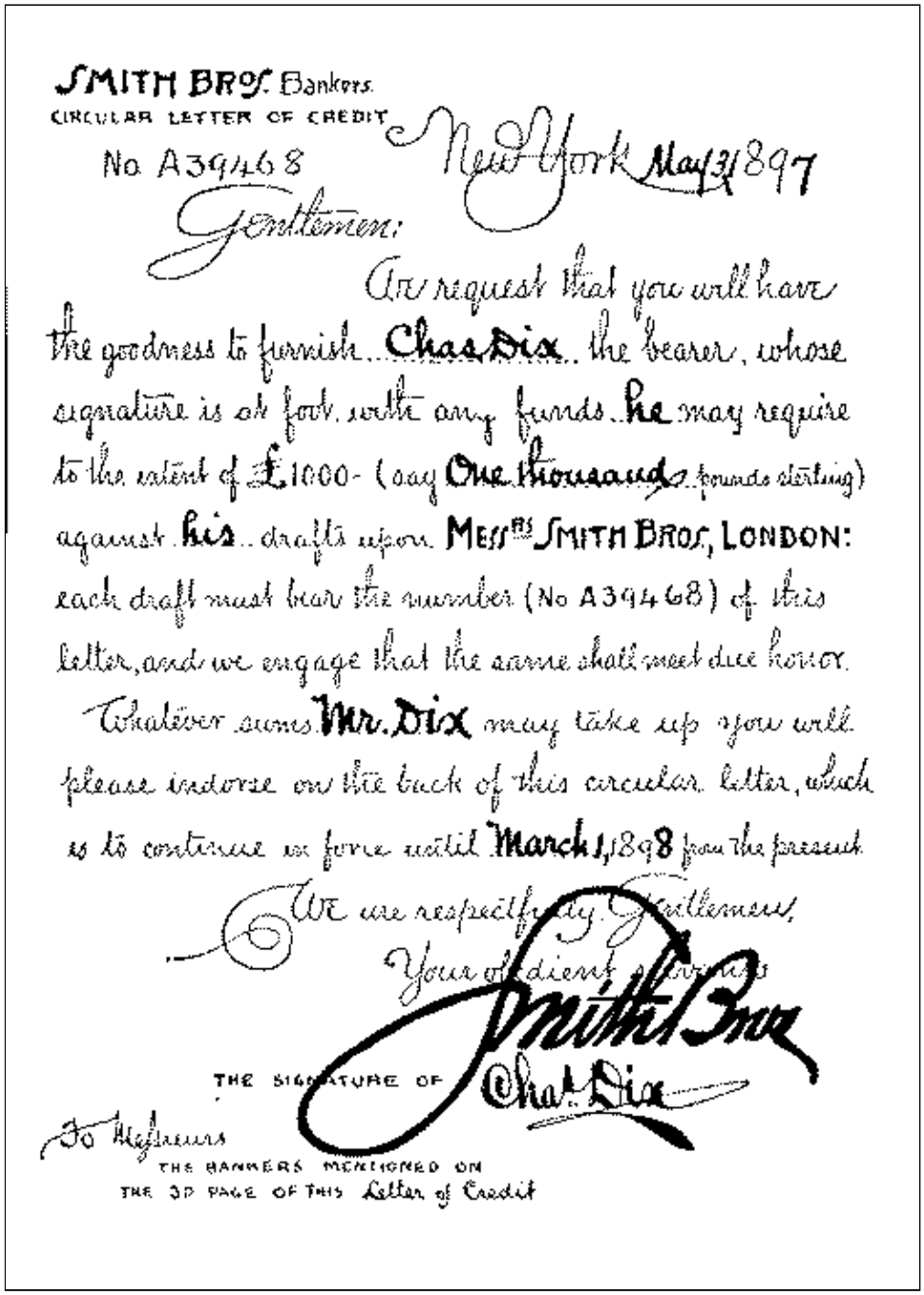


A bill of exchange (banker's).

Two illustrations of bills of exchange are given in this lesson. Each is drawn in duplicate. The original is sold or sent abroad, while the duplicate is preserved as a safeguard against the loss of the original. When one is paid the other is of no value. Notice the similarity between bills of exchange as shown here and commercial drafts as shown in our last lesson.

The first form shows a draft made by a coal company upon a steamship company to pay for coal supplied to a particular steamer. Suppose that the steamship company has a contract with Robert Hare Powel & Co. of Philadelphia to supply coal to their steamers. The steamer *Cardiff*, when in port at Philadelphia, is supplied; the bill is certified to by the engineer; the master (captain) of the vessel signs Powel & Co.'s draft (and in doing this really makes it the captain's draft); the bill is receipted. Now Powel & Co. sell this exchange (draft) on London to a broker or banker doing a foreign business. It is forwarded to London and presented in due time at the office of the Wales Navigation Company for payment.

The second form shows a bill of exchange drawn by a Philadelphia banking house upon a London banking house and payable to the order of the firm buying the draft. C. H. Bannerman & Co. will send this bill (the original) to pay an account in Europe. The first form bears the same relation to a commercial draft that the second does to a cashier's cheque.



SMITH BROS. Bankers.
CIRCULAR LETTER OF CREDIT
No A39468
New York May 3 1897
Gentlemen:
We request that you will have the goodness to furnish Chas Dix the bearer, whose signature is as follows, with any funds he may require to the extent of £1000- (say One thousand pounds sterling) against his drafts upon Messrs SMITH BROS, LONDON: each draft must bear the number (No A39468) of this letter, and we engage that the same shall meet due honor.
Whatever sums Mr. Dix may take up you will please indorse on the back of this circular letter, which is to continue in force until March 1, 1898 from the present.
We are respectfully Gentlemen,
Your obedient servants
Smith Bros
THE SIGNATURE OF Chas Dix
To Messieurs
THE BANKERS MENTIONED ON
THE 3D PAGE OF THIS Letter of Credit

First page of a letter of credit.

XI. LETTERS OF CREDIT

The usual instruments of credit by means of which travellers abroad draw upon their deposits at home are

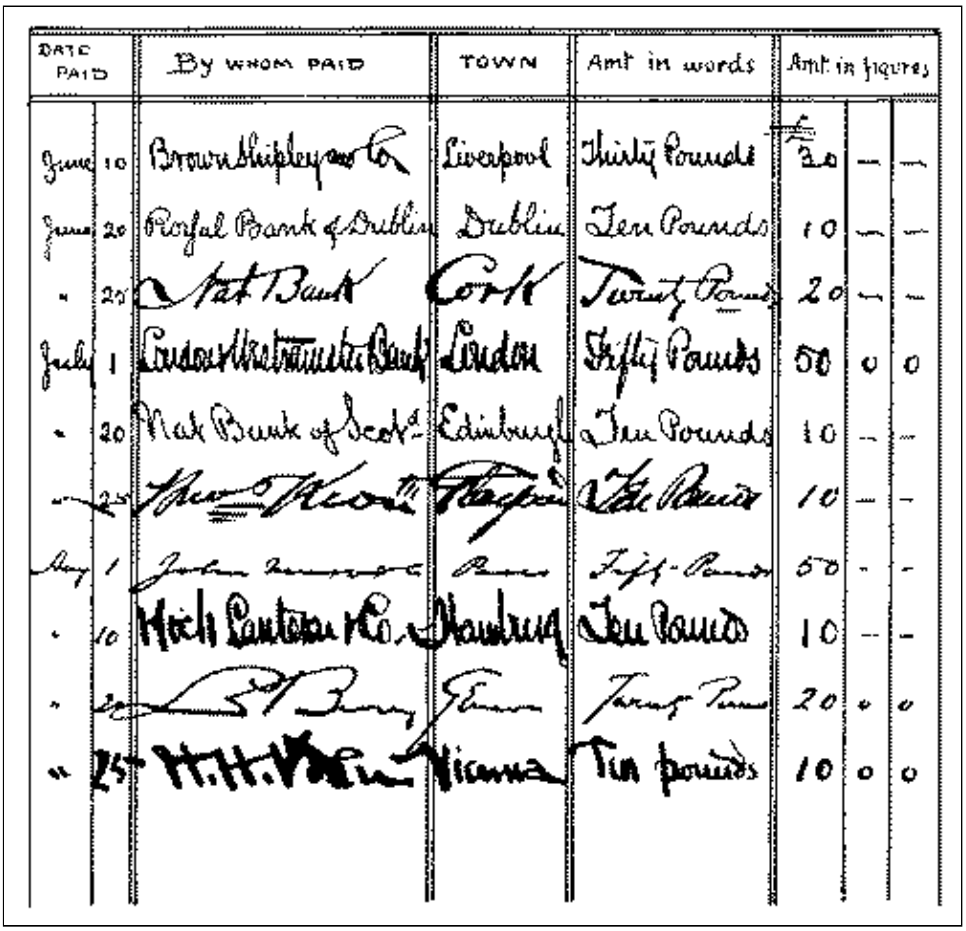
known as CIRCULAR LETTERS OF CREDIT. These forms of credit are of such common use that every one should be familiar with their form. We reproduce here a facsimile of the first and second pages of a circular letter for £1000, copied with slight change of names from an actual instrument. The first page shows the credit proper authorising the various correspondents of the bank issuing it to pay the holder, whose signature is given on its face, money to the extent of £1000. The names of the banks who are authorised to advance money upon the letter are usually printed upon the third and fourth pages, though letters issued by well-known banking houses are usually recognised by any banking house to which they are presented.

The second illustration shows how the holder of a particular letter availed himself of its advantages. It gives the names of the banks to which he presented his letter, and the amounts paid by each.

With such a letter a traveller could make a trip around the world and not have in his pocket at any one time more gold or silver or bills than would be necessary to meet immediate expenses.

Suppose that A. B. is about to make a European trip. He goes to a bank doing a foreign business, say Brown Bros. & Co. of New York City, and asks for a circular letter for £1000, for which he is obliged to pay about $4880. Copies of A. B.'s signature are left with Brown Bros. & Co., and may perhaps be forwarded to their foreign banking houses. When A. B. presents himself at a Glasgow or Paris bank with his letter of credit, and asks for a payment upon it, the banker asks him to sign a draft on Brown Bros. & Co., New York, or more likely on their London bank, for the amount required, which amount is immediately indorsed on the second page of the letter of credit, so that when the indorsements equal the face the letter is fully paid. A. B. is simply drawing upon his own account—that is, upon the money he deposited to secure the letter of credit.

Payment is usually made upon the simple identification or comparison of signatures. If a traveller should lose his letter of credit he should notify at once the bank issuing it and, if possible, the banks upon which drawn.



DATE PAID		By WHOM PAID	TOWN	Amt in words	Amt in figures		
					£		
June	10	Brown Shipley & Co	Liverpool	Thirty Pounds	30	—	—
June	20	Royal Bank of Dublin	Dublin	Ten Pounds	10	—	—
"	25	Nat Bank	Cork	Twenty Pounds	20	—	—
July	1	London Westminster Bank	London	Fifty Pounds	50	0	0
"	20	Nat Bank of Scotl[d]	Edinburgh	Ten Pounds	10	—	—
"	25	[illegible]	[illegible]	[illegible]	10	—	—
Aug	1	[illegible]	[illegible]	[illegible]	50	-	-
"	10	Mich Santoro & Co	Hamburg	Ten Pounds	10	—	—
"	20	[illegible]	[illegible]	[illegible]	20	0	0
"	25	H.H. [illegible]	Vienna	Ten pounds	10	0	0

Second page of a letter of credit (used).

There are several other forms of travellers' credits in use. The *Cheque Bank*, an English institution with a branch in New York City, issues to travellers a book of cheques, each of which can be filled up only to a limited amount, as shown by printed and perforated notices appearing on the face. For instance, for £100 one can buy a cheque-book containing fifty blank cheques, each good, when properly filled up, for £2. Each of these cheques is really a certified cheque, only it is certified in advance of issue. Any of the thousand or more foreign banks which are agents for the *Cheque*

Bank sell these cheque-books, and cash the cheques when presented. The amounts that may be short drawn go toward the cost of a new cheque-book, or may be returned in cash. The American and other express companies have forms of travellers' cheque-books very similar to those issued by the *Cheque Bank*.

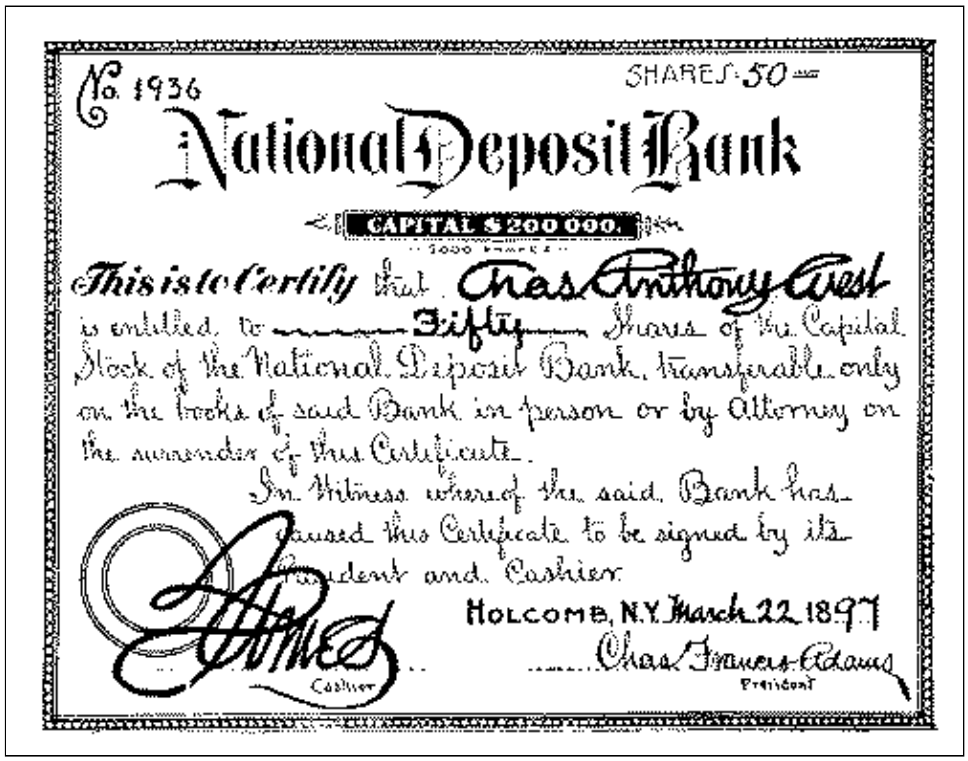
XII. JOINT-STOCK COMPANIES

To organise a stock company it is necessary for a number of persons to come together and make a certificate to the effect that they propose to form a company to bear a certain name, for the purpose of transacting a certain kind of business at a certain place. The certificate states that they propose to issue a certain number of shares of stock at a certain price per share, that the capital stock is to be a certain amount, and that the company is to continue to exist for a definite period of time. Blank forms for such certificate are supplied by the Secretary of the State where the company is being organised, and when such certificate is properly filled out, signed, and delivered to him, he issues a license, or charter, to the persons making such certificate, giving them permission to open books, sell stock, and carry on the enterprise outlined.

State laws regarding stock companies differ very largely. Students of this course who desire to know the law in any particular State can easily secure the information by writing to the secretary of that State.

The usual par value of a share of stock is $100. That is, if a company organises with a capital of $200,000, there will be 2000 shares to sell. Each person who buys or subscribes for the stock—that is, who joins the company—receives a CERTIFICATE OF STOCK. Our illustrations show two examples; one of a national bank, and the other of a manufacturing company. These certificates are transferable at the pleasure of the

owners. The transfer is made usually by a form of indorsement on the back of the certificate, but to be legal the transfer must be recorded on the books of the company.


No. 1936 SHARES 50

National Deposit Bank

CAPITAL $200 000

1000 SHARES

This is to Certify that Chas Anthony West is entitled to Fifty Shares of the Capital Stock of the National Deposit Bank, transferable only on the books of said Bank in person or by Attorney on the surrender of this Certificate.

In Witness whereof the said Bank has caused this Certificate to be signed by its President and Cashier.

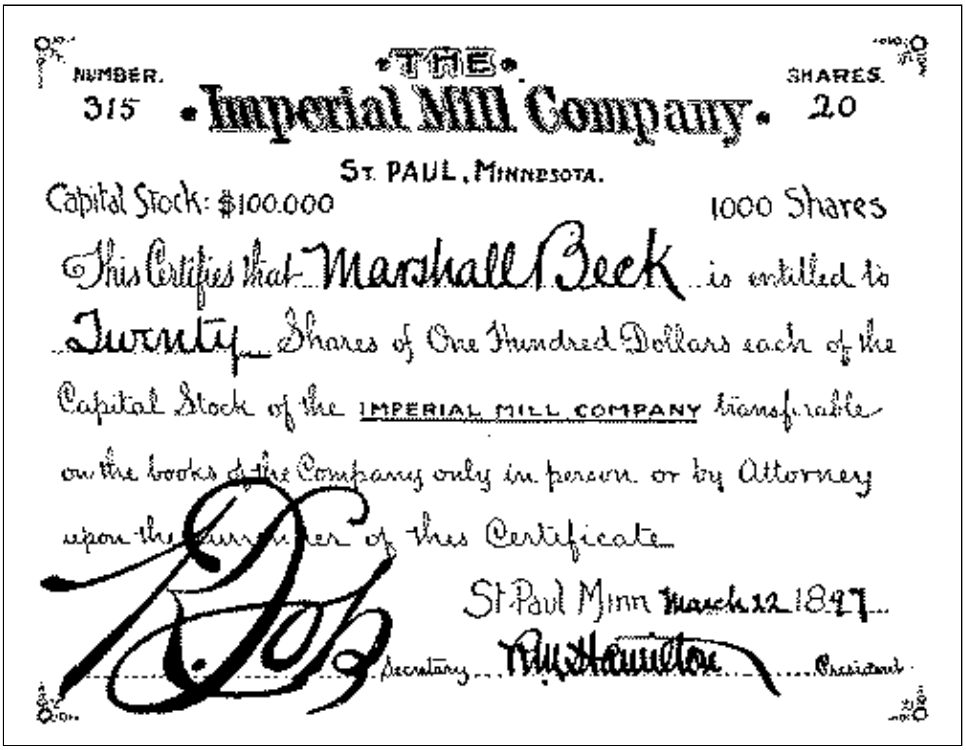
HOLCOMB, N.Y. March 22 1897

Chas Travers Adams
President

Cashier

A certificate of stock in a national bank.

The men subscribing in this way become responsible for the good management of the business and are obliged to act according to the laws of the State in which the company is organised. Usually they are not responsible individually for the liabilities of the concern beyond the amounts of their individual subscriptions.



NUMBER. 315

THE Imperial Mill Company

SHARES. 20

ST. PAUL, MINNESOTA.

Capital Stock: $100.000 1000 Shares

This Certifies that Marshall Beck is entitled to Twenty Shares of One Hundred Dollars each of the Capital Stock of the IMPERIAL MILL COMPANY transferable on the books of the Company only in person or by Attorney upon the surrender of this Certificate

St Paul Minn March 12 1897

Secretary ... President

A certificate of stock in a manufacturing company.

Every person who subscribes for stock owns a part of the business and is called a SHAREHOLDER. All the shareholders meet together, and out of their number they choose a certain number of DIRECTORS. The directors choose a president and other necessary officers, and in a general way direct the policy of the company. As a rule directors have no salaries attached to their positions. General meetings of shareholders are held once a year to elect the directors and to hear the reports of the officers.

The student should be familiar in a general way with the different classes of stock and with the technical terms familiar to stock companies. The more important of these matters are as follows:

DIRECTORS. All the shareholders meet together and out of their number choose a certain number of directors. The directors choose a president and other necessary

officers and fix the amount of salary which shall be paid such officers for their work.

CAPITAL STOCK. This name is given to the gross capital for which the company is organised, without any reference to its value or to whether it has been fully paid in or not. The *paid-in capital* is the amount received from the stockholders on the shares for which they have subscribed.

DIVIDENDS. The directors of the company, after paying the expenses and laying by a certain amount for contingencies, divide the profits among the shareholders. These profits are called dividends, and in successful concerns such dividends as are declared quarterly, semiannually, or annually usually amount to good interest on the shareholders' investments.

TREASURY STOCK. It often occurs that a new company finds it necessary to set aside a certain number of shares to be sold from time to time to secure working capital. Such stock is held in the treasury until it is needed, and is called treasury stock.

PREFERRED STOCK. Preferred stock is stock which is guaranteed certain advantages over ordinary stock. It is usually given to secure some obligation of the company, and upon it dividends are declared in preference to common stock. That is to say, if a man holds a share of preferred stock he will receive interest thereon out of the profits of the business before such profits are given in the form of dividends to shareholders generally. Preferred stock can be issued only when authorised by the charter of the company. The interest on the investment in the case of preferred stock is more sure, but the security itself is not any more secure than in the case of common stock.

GUARANTEED STOCK. Guaranteed stock differs from preferred stock in this—that it is entitled to the guaranteed dividend (interest) before all other classes of stock, whether the company earns the necessary

amount in any one year or not. This right is carried over from year to year, thus rendering the shares absolutely secured as to interest.

WATERED STOCK. When stock is issued to the shareholders without increase of actual capital the stock is said to have been *watered*. A company may organise for, say, $10,000, and may want to increase to $50,000 without adding to the number of its shareholders. Each holder of *one* share will, in this instance, receive *four* new shares, and in future instead of receiving a dividend on one share will receive a dividend on five shares. The object of this is, quite commonly, to avoid State laws requiring certain corporations to pay excess of profit over a stated rate per cent. into the State treasury.

FORFEITED STOCK. Stock is usually sold on certain explicit conditions, such as the paying of ten per cent. down and the balance in installments at stated intervals. If the conditions which are agreed to by the shareholder are not met his stock is declared *forfeited*, or he can be sued in the same manner as upon any other contract.

ASSESSMENTS. Some companies organise with the understanding that a certain percentage of the nominal value of the shares is to be paid at the time of subscribing, and that future payments are to be made at such times and in such amounts as the company may require. Under these conditions the stockholders are assessed whenever money is needed. Such assessments are uniform on all stockholders.

SURPLUS FUND. It is not customary to pay a larger dividend than good interest. The profits remaining after the expenses and dividends are paid are credited to what is called a surplus fund. This fund is the property of the shareholders and is usually invested in good securities.

FRANCHISE. A franchise is a right granted by the State to individuals or to corporations. The franchise of a railroad company is the right to operate its road. Such franchise has a value entirely distinct from the value of the plant or of the ordinary property of the corporation.

SINKING FUND. A sinking fund is a fund set aside yearly for the purpose at some future time of sinking—that is, paying a debt.

XIII. PROTESTED PAPER

When a note is presented for payment at maturity and is not paid it is usually PROTESTED; that is, a notary public makes a formal statement that the note was presented for payment and payment was refused. Notice of such protest is sent to the maker of the note and to each indorser.

The bank should never hand to its notary any paper for protest until it has made sure that its non-payment has not been brought about by some error or misunderstanding. Quite often, even though the paper has been made payable at a bank, the notary sends a messenger with the note to the maker to make a formal demand for payment.

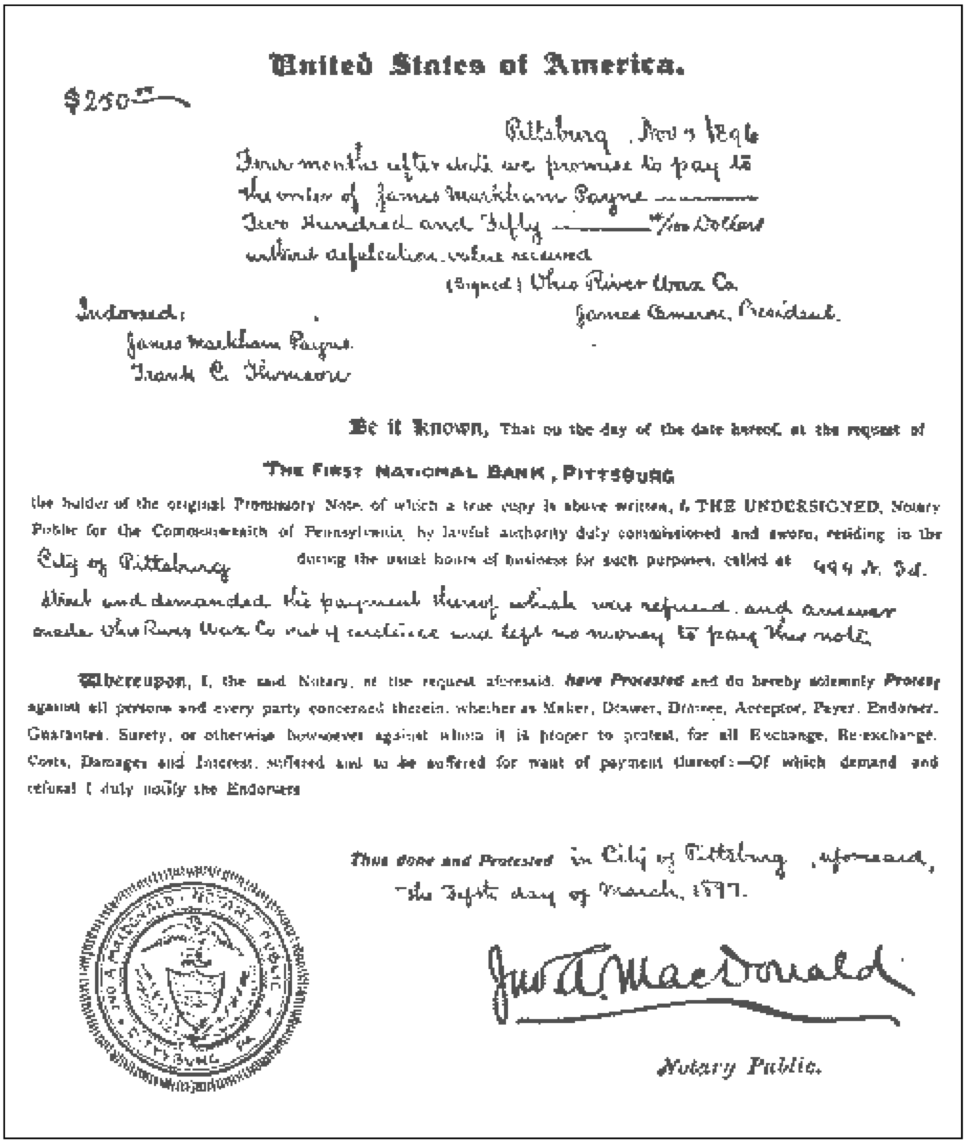
In taking in collection paper, banks should obtain clear instructions from its owners as to whether or not it should be protested in case of non-payment. It by no means follows that a formal protest is not desired because the paper bears no indorsements. Many banks make it a rule to protest all unpaid paper unless otherwise ordered.

We often see attached to the end of a draft a little slip with the words: "*No protest; tear this off before protesting.*" This is simply private advice to the banker informing him that the drawer does not wish to have

the draft protested. It may be that he does not wish to wrong or injure the credit of or add to the expense of his debtor; or it may be that he considers the account doubtful and does not wish to add to his own loss the cost of protest fees.

To hold an indorser, he must be properly notified of the non-payment of the note; and whether this has been done is a question of fact. If he was not properly notified this defence will avail whenever it is clearly proved. A great variety of defences may be successfully made by an indorser. A few of these defences are here briefly noticed: One is usury; another is the maker's discharge by the holder; nor can he be held when he has paid the note; nor when its issue was unlawful, nor when the note was non-negotiable, nor when his indorsement was procured by fraud. Finally, an indorser may avail himself of any defence existing between the holder and the maker or principal debtor. This is evidently a just principle, for the holder should have no more rights against an indorser than he has against the maker. If, therefore, the maker can interpose some just claim as a partial or complete defence the indorser should be permitted to avail himself of this claim.

In order to recover from an indorser it must be proven that a formal and proper demand for payment was made upon the maker. The formal protest is usually undisputed evidence of this. The maker is liable in any event.


United States of America.

$250

Pittsburg, Nov 5 1896

Four months after date we promise to pay to the order of James Markham Payne Two Hundred and Fifty 00/100 Dollars without defalcation, value received

(Signed) Ohio River Wax Co.
James Cameron, President.

Indorsed:
James Markham Payne.
Frank C. Thomson

Be it Known, That on the day of the date hereof, at the request of

THE FIRST NATIONAL BANK, PITTSBURG

the holder of the original Promissory Note, of which a true copy is above written, I, THE UNDERSIGNED, Notary Public for the Commonwealth of Pennsylvania, by lawful authority duly commissioned and sworn, residing in the City of Pittsburg during the usual hours of business for such purposes, called at 444 N. St. and demanded the payment thereof, which was refused, and answer made Ohio River Wax Co. out of existence and left no money to pay the note.

Whereupon, I, the said Notary, at the request aforesaid, *have Protested* and do hereby solemnly *Protest* against all persons and every party concerned therein, whether as Maker, Drawer, Drawee, Acceptor, Payer, Endorser, Guarantee, Surety, or otherwise howsoever against whom it is proper to protest, for all Exchange, Re-exchange, Costs, Damages and Interest, suffered and to be suffered for want of payment thereof:—Of which demand and refusal I duly notify the Endorsers

Thus done and Protested in City of Pittsburg, aforesaid, the 5th day of March, 1897.

Jno A. MacDonald

Notary Public.

A protest.

To make the indorser's liability absolute it is necessary to demand payment at the specified place on the last day of the period for which the note was given, and to give due notice of non-payment to the indorser. For, as the contract requires the maker to pay at maturity, the indorser may presume, unless he has received a notice to the contrary, that the maker has paid the obligation.

Ordinarily a notice of an indorsement by a partnership need not be sent to each member. Even after the partnership has been dissolved a notice to one partner

is sufficient to bind the other members. If the note is owned jointly (that is, by parties who are not business partners) the indorsers are not liable as partners but as individuals. In such a case the notice of non-payment should be sent to each.

Our illustration shows a facsimile of a protest notice.

XIV. PAPER OFFERED FOR DISCOUNT

One of the most valuable parts of a banker's education is to learn whom to trust. Every bank should have a well-organised and thoroughly equipped credit department, in charge of some one who can be relied upon to investigate carefully all names referred to him by the officers. A banker has the right to expect the fullest confidence on the part of the borrower, and the borrower should furnish him with a complete and detailed statement of the condition of his affairs. It is safe to conclude that when a borrower refuses absolutely to give any information as to his financial condition his credit is not in the most favourable shape.

Many of the banks have blank forms which they, from time to time, ask borrowers to fill out. These statements show in detail the assets and liabilities of the firm in question; they show the notes which are outstanding, the mortgages on real estate, and many other particulars, including the personal or individual credit of members of the firm, if a partnership.

In estimating the value of paper offered for discount the following points should be considered:

1. The total net worth of the borrower.

2. The character of his business; whether it is speculative or staple.

3. The borrower's record and standing in the community and his business habits.

4. Whether he is in enterprise abreast with modern ideas and methods.

5. The character of the merchandise owned by the borrower. What would it bring under the hammer? Groceries and raw material can usually be turned into cash at a forced sale at very small discount from current prices. Not so with hardware, glass, dry goods, boots and shoes, books, etc. Machinery and fixtures are not a bankable asset upon which to base credit.

The banker should note his borrower's bills payable. Why did he give notes? Are they met promptly? Many houses prefer to sell their own paper in the open market, and keep their banks open for accommodations when they are unable to secure outside credit. The insurance carried should be considered; also the volume of business done. A large business on moderate capital, with long credits, will naturally have large liabilities, while a small business with a liberal capital and short credits should have small liabilities.

Paper offered for discount is of a variety of kinds. The larger proportion of it is from customers of the borrower who have extended their credit by paying their accounts in notes instead of in cash. Such paper is really, though having two names, very little better than single-name paper, for it is not the maker's credit, but the payee's, which the bank usually considers. Many very small notes offered for discount usually indicate a very needy condition.

There are many firms which carry two or more bank accounts, and others who sell their paper to out-of-town banks. In buying paper it is important to ascertain whether the firm is in the habit of taking up paper at one bank by floating a loan at another.

Paper may be classified for purposes of discount as follows:

1. Bills drawn by shippers on the houses to which the goods are shipped.

2. Bills drawn by importers against commodities placed in brokers' hands for sale.

3. Bills arising out of our manifold trades and industries.

4. Drafts with bills of lading attached.

5. Paper having personal indorsements.

6. Paper secured by collateral.

7. One-name paper.

XV. CORPORATIONS

Stock companies are in a sense corporations, but the name CORPORATION has in its common application a broader meaning. PUBLIC CORPORATIONS are those which are created exclusively for the public interest, as cities, towns, counties, colleges, etc. PRIVATE CORPORATIONS are created wholly or in part for the pecuniary benefit of the members, as railroad companies, banks, etc. Corporate bodies whose members at discretion fill by appointment all vacancies occurring in their membership are sometimes called *close corporations*. In this country the power to be a corporation is a franchise which can only exist through the legislature.

In municipal corporations the members are the citizens; the number is indefinite; one ceases to be a member when he moves from the town or city, while every new

resident becomes a member when by law he becomes entitled to the privileges of local citizenship.

The laws which corporations may make for their own government are made under the several heads of by-laws, ordinances, rules, and regulations. These laws may be made by the governing body for any object not foreign to the corporate purposes. A municipal corporation, for example, makes ordinances for the cleaning and lighting of its streets, for the government of its police force, for the supply of water to its citizens, and for the punishment of all breaches of its regulations. A railway corporation establishes regulations for signals, for the running of trains, for freight connections, for the conduct of its passengers, and for hundreds of other things. But such by-laws and regulations must be in harmony with the charter of the corporation and with the general law of the land. For instance, a municipal corporation could not enforce a by-law forbidding the use of its streets by others than its own citizens, because by general law all highways are open to the common use of all the people. Again, a railway corporation could not make a rule that it would carry goods for one class of persons only, because as a common carrier the law requires that it carry impartially for all.

As a general rule private corporations organised under the laws of one State are permitted to do business in other States. It is quite often to the advantage of a company to organise under the laws of one State for the purpose of doing business in another. For instance, there are many companies chartered under the laws of Maine with headquarters in Boston. The Massachusetts laws require that a large proportion of the capital be actually paid in at the time of organising, while the Maine law has no such provision. For similar reasons many large companies doing business in New York or Philadelphia are organised under the laws of New Jersey.

A corporation may make an assignment just as may an individual. If all the members die the property interests pass to the rightful heirs, and under ordinary conditions the corporation still exists.

A FRANCHISE is a right granted by the State or by a municipal corporation to individuals or to a private corporation. The franchise of a railroad company is the right to operate its road. Such franchise has a value entirely distinct from the value of the plant or the ordinary property of the corporation.

An UNLIMITED LIABILITY corporation is one in which the stockholders are liable as partners, each for the full indebtedness.

A LIMITED LIABILITY corporation is one in which the stockholders, in case of the failure of the corporation, are liable for the amount of their subscriptions. The name *limited* is required by law to appear after the name of the company. If a subscription is entirely paid up there is no further liability—that is to say, the property of a shareholder cannot be attached for any debts of the company. Understand clearly that the name *limited* printed after the name of a company does not indicate in any way that the capital or credit of the company is limited, only that the liability of the shareholders of the company is limited to the amounts of their shares.

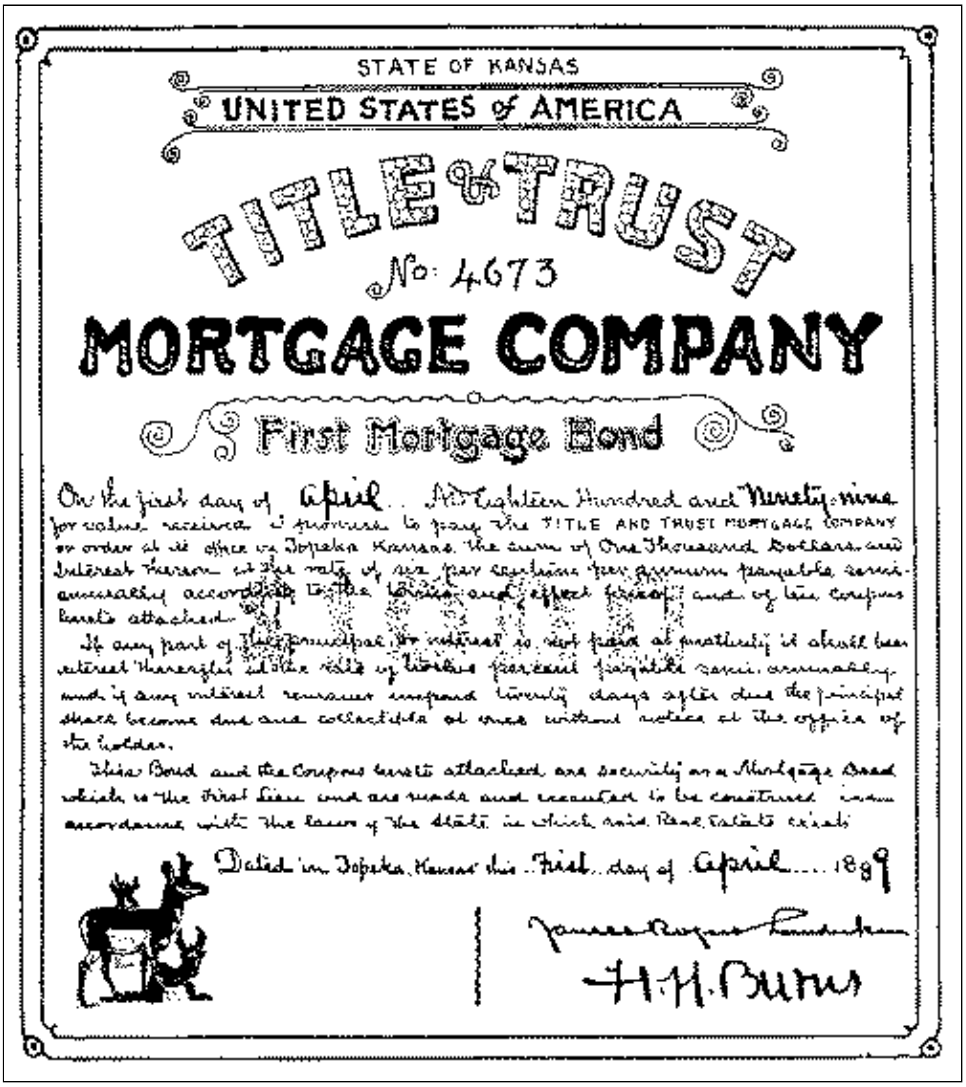
A DOUBLE LIABILITY corporation is one in which, in case of failure, the stockholders are further liable for amounts equal to their subscriptions. All national banks are double liability companies. If A owns $5000 stock in a national bank, and the bank fails, he loses his stock; and if the liabilities of the bank are large he may be obliged to pay a part or the whole of an additional $5000.

XVI. BONDS

When a railroad company, or a city or any other corporation desires to borrow money it is a common practice to issue instruments of credit called BONDS. A bond means something that binds. Bonds bear the same relation to the resources of a corporation that mortgages do to real estate.

Corporation bonds are issued for a period of years. They usually have coupons attached which are cut off and presented at regular intervals for the payment of interest. A bondholder of a corporation runs less risk than a stockholder, first, as to interest: the corporation is obliged to pay interest on its bonds, but may at its own pleasure *pass* its dividends; secondly, the bondholder is a creditor, while the stockholder of the corporation is the debtor. On the other hand, if a concern is very successful, a shareholder may receive large dividends, while the bondholder receives only the stipulated interest. A *bond* is evidence of debt, specifying the interest, and stating when the principal shall be paid; a *certificate of stock* is evidence that the owner is a part-owner in the corporation or company, not a creditor, and he has no right to regain his money except by the sale of his stock, or through the winding up of the company's business.

The name DEBENTURES is given to a form of municipal bond in common use. Nearly all the large sums of money used by States and cities for the building of State or municipal buildings, bridges, canals, water-works, etc., are raised through the issue of bonds (*debentures*), which are sold, usually at a price a little below par, to large financial institutions, banks, and insurance companies. Generally speaking, such bonds are good *securities*, and are marketable anywhere.



STATE OF KANSAS

UNITED STATES of AMERICA

TITLE & TRUST

No. 4673

MORTGAGE COMPANY

First Mortgage Bond

On the first day of April A.D. Eighteen Hundred and Ninety-nine for value received I promise to pay the TITLE AND TRUST MORTGAGE COMPANY or order at its office in Topeka Kansas. the sum of One Thousand Dollars and interest thereon at the rate of six per centum per annum payable semi-annually according to the tenor and effect hereof and of the coupons hereto attached.

If any part of the principal or interest is not paid at maturity it shall bear interest thereafter at the rate of twelve per cent payable semi-annually and if any interest remains unpaid twenty days after due the principal shall become due and collectible at once without notice at the option of the holder.

This Bond and the Coupons hereto attached are security on a Mortgage Deed which is the first lien and are made and executed to be construed in accordance with the laws of the state in which said Real Estate is situated

Dated in Topeka Kansas this First day of April 1899

H.H. Burns

A private bond.

At different times the United States government has issued bonds to relieve the treasury. These bonds are absolutely safe and are always marketable. *Registered bonds* have the name of the buyer *registered*; *unregistered bonds* are payable to *bearer*. *Municipal bonds* are issued by cities and other municipalities to raise money for local improvements. If proper precautions are taken by buyers, municipal securities may be considered among the safest and most remunerative investments.

When a new railroad enterprise is undertaken its promoters often expect to make the road not only supply the money for its construction but also give working capital in addition. This is done by the issue of mortgage bonds. Default in the payment of interest throws the road into the hands of a receiver. The securities immediately fall in value and are perhaps bought up by a syndicate of crafty speculators who are permitted to reorganise the road and its management. This is the history of many of our roads. There are exceptional cases, of course, but the investor should be familiar with the facts before buying railroad mortgages.

A BOTTOMRY BOND is a kind of mortgage peculiar to shipping. It is a conveyance of the ship as security for advances made to the owner. If the ship is lost the creditor loses his money and has no claim against the owner personally. It is allowable for a loan made upon such a bond to bear any rate of interest in excess of the legal rate. A vessel arriving in a foreign port may require repairs and supplies before she can proceed farther on her voyage, and in occasions of this kind a bottomry bond is given. The owner or master pledges the keel or *bottom* of the ship—a part, in fact, for the whole—as security.

We have now upon the market stocks and bonds representing all conceivable kinds of property. Not only are properties of many kinds used to issue bonds upon, but many kinds of bonds are often issued upon the same property. Thus we find among our railroads not only first, second, and third mortgage bonds, but income bonds, dividend bonds, convertible bonds, consolidated bonds, redemption bonds, renewal bonds, sinking-fund bonds, collateral trust bonds, equipment bonds, etc., until they lap and overlap in seemingly endless confusion.

RECEIVER'S CERTIFICATES are issued by receivers of corporations, companies, etc., in financial difficulties, to secure operating capital; they are granted first rights

upon the property and are placed above prior lien and first mortgage bonds.

XVII. TRANSPORTATION

The most common effect of cheapened transportation is to increase the distance at which it is possible for producer and consumer to deal with each other. To the producer it offers a wider market and to the consumer a more varied source of supply. On the whole, cheapened transportation is more uniformly beneficial to the consumer; its temporary advantage to the producer very often leads to overproduction. It has the effect also of bringing about nearly uniform prices the world over.

The time was when nearness to market was of the greatest possible advantage. At the present time a farmer can raise his celery in Michigan or his beets in Dakota and market them in New York City about as easily as though he lived on Long Island. It is no longer location which determines the business to be carried on in a particular place, but natural advantages more or less independent of location. But the railroad or the steamboat very often determines where a new business shall be developed. It is this quickening and cheapening of transportation that has given such stimulus in the present day to the growth of large cities. It enables them to draw cheap food from a far larger territory, and it causes business to locate where the widest selling connection is to be had, rather than where the goods or raw materials are most easily procured. It is the quick and comfortable transportation facilities which our large cities possess that have given strength to the great shopping centres. Shoppers for thirty or forty miles around can easily reach these centres, and the result is that trade gathers in centres rather than at local points. A city of a million population in the most productive agricultural section

of country could not be fed if the food had to reach the city by teaming. With this growth of trade centres comes the increased gain of large dealers at the expense of the small; with it comes organised speculation and its attendant results, good and evil.

Prior to the completion of the organisation of trunk or through lines, freight was compelled to break bulk and suffer trans-shipment at the end of each line, where a new corporation took up the traffic and carried it beyond. To prevent this breaking of bulk and to expedite the carriage of freight, fast freight lines on separate capitalisation were organised. The purpose of the interstate-commerce law is largely to prevent discrimination and corruption in freight charges, to secure for every person and place just and equal treatment at the hands of the transportation companies. The freight rates are arranged and regulated by the traffic associations, and the various conditions and compromises necessary have made both classifications and rates about as complicated as anything possibly could be.

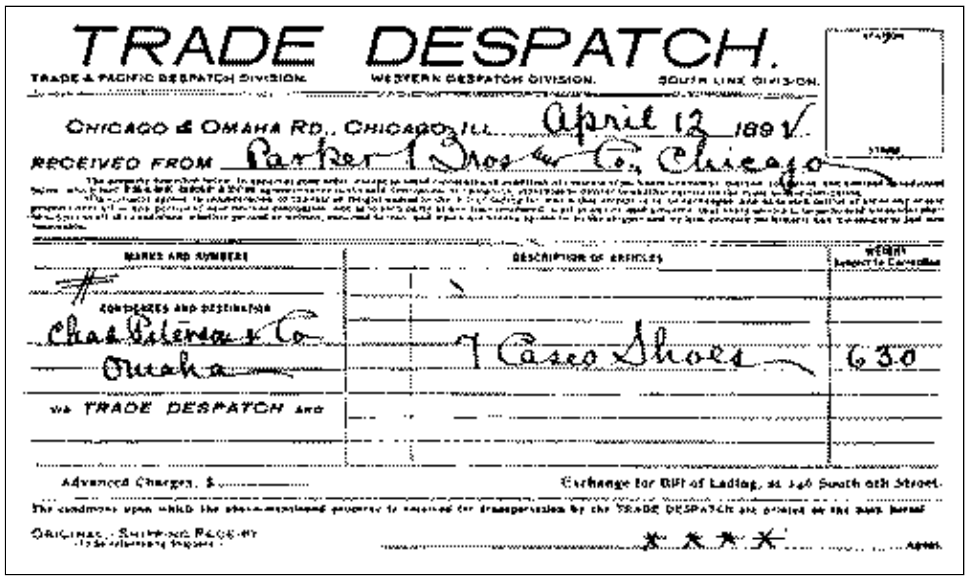
The name DIFFERENTIAL as applied to freight rates refers to the differences which are made by railroad companies. Certain roads are by agreement allowed to charge a lower rate than others running to the same points. To and from each of the eastern cities there are two classes of roads—the *standard* lines and the *differential* lines. The standard lines have the advantage of more direct connections; the differential lines reach the freight destinations by circuitous routes, in some instances by almost double the mileage. With a view to equalising these conditions the general traffic associations allow the differential lines to carry freight at a lower rate per mile than the rate charged by the standard lines.

The transportation business of the United States is so varied and complicated that a proper study of its freight tariffs and classifications would require much more space than can be given the subject in these lessons.

XVIII. TRANSPORTATION PAPERS

The common transportation papers, familiar to all shippers, are the (1) *shipping receipt*, (2) *bill of lading*, (3) *waybill*.

ORIGINAL RECEIPTS, stating marks and quantities of goods, go with each separate lot of merchandise to the freight sheds or vessels, and these are summed up in a formal bill of lading, for which they are exchanged when all the cases or bundles belonging to the particular shipment have been delivered. The duplicate receipt, or the part commonly marked *invoice*, is kept by the receiver of the freight, and the other end, commonly marked *original*, is given to the drayman. In making ordinary shipments it is not usual or necessary to make out a formal bill of lading. Of course, when no bill of lading is made out, the receipt should be preserved by the shipper. The full contract is usually printed on the receipt, but it must be remembered that a receipt is not a negotiable instrument and cannot be used as security for money.



TRADE DESPATCH.

TRADE & PACIFIC DESPATCH DIVISION. WESTERN DESPATCH DIVISION. SOUTH LINE DIVISION.

CHICAGO & OMAHA RD., CHICAGO, ILL. April 12 1897

RECEIVED FROM Parker Dros & Co. Chicago

MARKS AND NUMBERS	DESCRIPTION OF ARTICLES	WEIGHT (subject to Correction)
CONSIGNEES AND DESTINATION		
Chas Peterson & Co	1 Case Shoes	6.30
Omaha		
via TRADE DESPATCH and		

Advanced Charges, $.....

Exchange for Bill of Lading, at 146 South 6th Street.

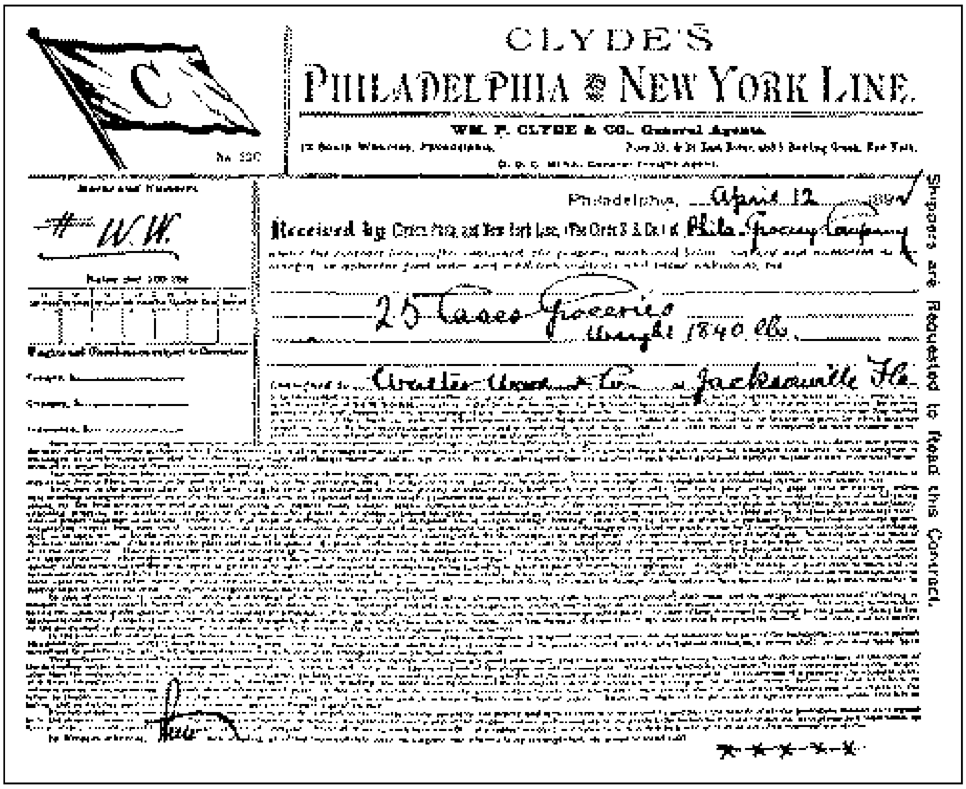
The conditions upon which the above-mentioned property is received for transportation by the TRADE DESPATCH are printed on the back hereof.

ORIGINAL - SHIPPING RECEIPT

Agent.

A shipping receipt (original).

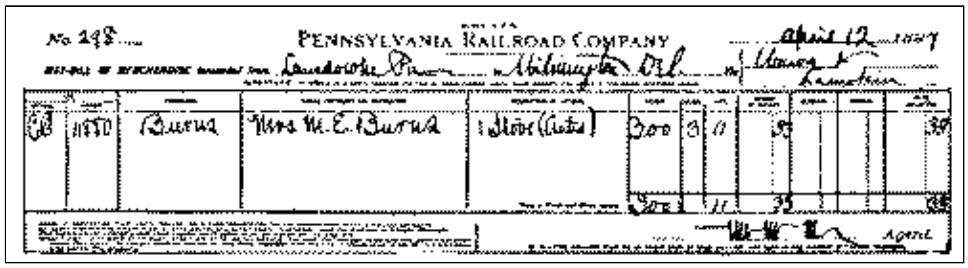
A BILL OF LADING is an acknowledgment by a transportation company of the receipt of goods specified, and contracts for their delivery at a certain place, under conditions stated thereon, upon payment of freight and expenses. Bills of lading are negotiable and maybe transferred by indorsement, but are of no value apart from the goods to which they give title. A bill of lading goes with certain *named* goods and cannot be transferred to other goods, even though of precisely the same kind and price. Marine bills of lading are usually made in triplicate; one is kept by the shipper, another by the vessel, and the third is sent by mail to the person to receive the goods.


CLYDE'S
PHILADELPHIA & NEW YORK LINE.
WM. P. CLYDE & CO. General Agents.
Philadelphia, April 12
25 Cases Groceries
Weight 1840 lbs.
Shippers are Requested to Read this Contract.

A steamship bill of lading.

The parties to a bill of lading are three—the shipper, the consignee, and the transportation company. The declaration of having received the goods in good order and condition, and the consequent obligation, subsequently expressed, of delivering them in like

good order and condition, is sensibly lessened in its importance by the additional clause now adopted by almost all transportation companies—namely: "Contents and condition of contents of packages unknown." Should the goods or part of them be shipped in a damaged condition, or in a bad condition of packing, a note to that effect should be made by the transportation company on the bill of lading, which ceases then to be a *clean bill of lading*.



A local waybill.

Like any other instrument of credit, a bill of lading may be deposited with a creditor as security for money advanced (or it may be transferred to a buyer) by means of indorsement, and the property or goods will be thereby either mortgaged or assigned. Acting upon this principle, the shipper declares in the bill of lading that the goods shall be delivered unto the consignee or his assigns. When a shipper is unable to insert the name of the consignee at the time the bill of lading is made out, a *bill to order* is drawn up wherein the consignee's name is superseded by the words *shipper's order*, or simply *order*; it being thus understood that the goods shall be delivered to whomsoever presents, at point of destination, the bill of lading duly indorsed by the shipper. By such a simple arrangement as a *bill to order* the merchant is enabled to sell the goods while they are at sea, or in transit, and a consignment of merchandise may change hands several times before arriving at its destination.

When a case of merchandise to be shipped has been properly entered and weighed it is then ready to be *manifested* or *waybilled*, as no shipment is allowed to go forward without a waybill. The WAYBILL is simply a memorandum of the consignment, together with full and complete shipping directions, giving also the number of the car into which the case has been loaded, and the point to which the car is "carded." The freight conductor has waybills for all goods which he carries. They are turned over with the merchandise to the agent of the railroad at the point of destination.

Our illustrations show (1) *a shipping receipt*—the half marked "*original*"; (2) *a steamship bill of lading*; (3) *a local waybill*.

EXAMINATION PAPER

NOTE.—*The following questions are set as an indication of the sort of knowledge a student should possess who has carefully read the several papers of this course. The paper covers only about the first half of the course. The student is recommended to write out the answers carefully. Only such answers need be attempted as can be made from a study of the lessons.*

1. What in a general sense is meant when we speak of the currency of a country?

2. Enumerate some of the advantages afforded to the community and to commerce in general by banking institutions.

3. A bank cheque is a demand order for money, drawn by one who has funds in the bank. How does a cheque differ from an order on John Smith to pay bearer a certain sum of money?

4. Why is it important that cheques should be very carefully drawn?

5. (*a*) A cheque has no date. Does this make it void? (*b*) How about a cheque dated months ago? (*c*) Is a cheque dated on Sunday good? (*d*) Why are cheques sometimes dated ahead? (*e*) Are you at liberty to print your own form of cheque? (*f*) Is it necessary that your cheque be written on the prescribed blank form? (*g*) How would you write a cheque for 75 cents?

6. How would you word a cheque to give to a person who is unknown at your bank, but who wishes to draw the money over the counter?

7. You are sending a cheque through the mails to John Brown, Philadelphia. How will you prevent the cheque from falling into the hands of the wrong John Brown?

8. You identify A. B. at your bank. The cheque A. B. presented turns out to be a forgery. Are you responsible?

9. A. B. transfers a cheque to you by a blank indorsement. It is then payable to bearer. How can you legally make it payable to your own order?

10. What is meant by power-of-attorney? How should an attorney indorse cheques for any person for whom he is acting?

11. If a note were about to be transferred to you by indorsement and delivery in payment of a debt, would it make any difference to you whether or not it was overdue? Explain in full.

12. Tell how you would receipt for a payment of a note. Why is not an ordinary separate receipt sufficient?

13. Why are notes protested? Why is a formal protest sometimes desired even though the paper bears no indorsements?

14. If an indorser is compelled to pay a note, against whom has he a good claim?

NOTE TO THE FOREGOING EXAMINATION PAPER

It is a mistake to answer questions for a student if he is able of himself to find the answers. A question which sets a student thinking, even though he cannot immediately find a satisfactory answer, affords educational training of considerable value. A few of the answers to the foregoing questions are as follows:

5. (*a*) Not necessarily so. (*b*) Such a cheque would under ordinary conditions be all right. Cheques should be presented as soon after date as convenient. (*c*) Cheques dated on Sunday are very commonly paid. Cheques or notes delivered on Sunday are void. The delivery makes the contract, not the dating. (*d*) That the maker may have a few days in which to deposit sufficient money to meet them. (*e*) You are at liberty to print your own form of cheque or to write it out in full if you wish. (*g*) Write the words "*Seventy-five cents*" plainly along the money line.

8. Yes.

BUSINESS GEOGRAPHY

THE TRADE FEATURES OF THE GREAT COMMERCIAL NATIONS

I. THE TRADE FEATURES OF THE BRITISH ISLES

LONDON AS A FOOD CONSUMER

London is the greatest seat of trade and commerce in the world. Its commercial greatness is evidenced by its greatness of population. Its inhabitants number over 6,000,000. The houses in which this vast population lives, would, if placed end to end, make a continuous street that would stretch across all Europe and Asia. The mere effort of providing food for this vast population necessitates an enormous commerce. Half a million of beeves are required every year to supply its meat market; also 2,000,000 sheep and 8,000,000 fowls. To supply its fish market 400,000,000 pounds of fish are required, and 500,000,000 oysters. Grain, flour, fruit, butter, eggs, cheese, sugar, tea, and coffee, are brought to London daily in such quantities that the prices of these commodities all the world over are based upon what they will fetch in London. Whole nations and provinces and districts get their subsistence from

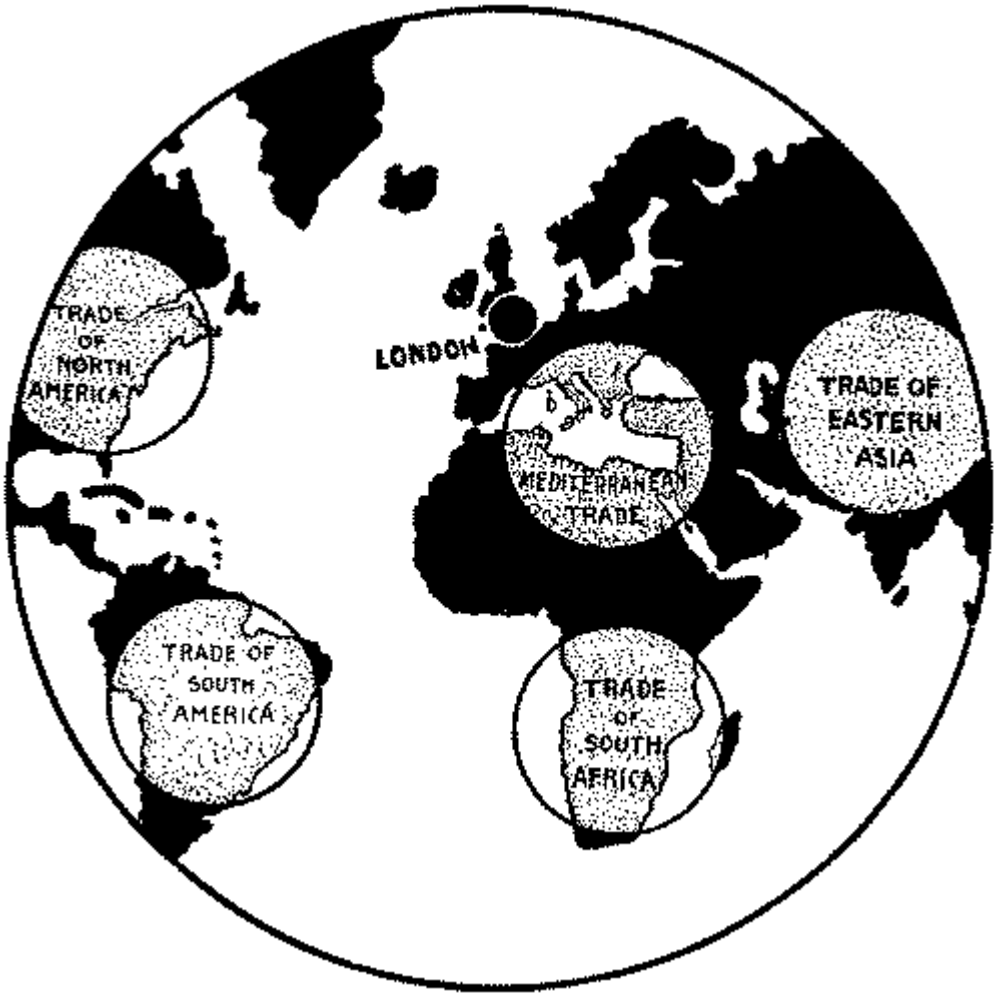
industries that have for their end the supplying of some of this enormous food demand. Denmark, for example, owes its entire prosperity of recent years to its profitable manufacture of butter for the London market. Brittany and Normandy, in France, are almost wholly occupied in supplying that market with poultry and eggs. The islands of Jersey and Guernsey derive their principal wealth, not, as might be supposed, from the sale of milk and butter, but from the supplying of London with potatoes. Canada during the last six or eight years has built up with London an immense trade in cheese, a trade that exceeds in importance any other that Canada has, while even our own home States—Illinois, Iowa, and Wisconsin, for example—have found new sources of wealth in catering to the London dairy trade. "Elgin" and "Ames" creamery butters are products well known to the London consumer.

LONDON THE COMMERCIAL CENTRE OF THE WORLD

What is the reason of London's wonderful prosperity? Already its population is one fifth the entire population of England and Wales, and it is increasing at the rate of about 20 per cent. per decade. Three hundred people are added to the number every day in the year, a rate of 110,000 inhabitants in the course of the year. It is now one half greater than the total population of all Ireland. London's Scotch population is almost as numerous as that of Edinburgh, while its Irish population is quite as numerous as that of Dublin. Every civilised country is represented among its people, and every civilised tongue is spoken among them. A sea of brick and mortar, even now fifteen miles long and ten miles broad, it is growing at the rate of a new house every hour of its existence. Its streets are

already 28,000 miles in length, and these are spreading out so rapidly that every year many whole villages and townships are enmeshed by them. Every day 1,000,000 people enter London by railway, and at least 500,000 people have occupations in it in the daytime who reside beyond its limits at night. Fifty thousand people have occupations in it in the night-time who reside beyond its limits during the day. It is the largest importing centre in Great Britain, and the largest in the world, and its exports are exceeded only by Liverpool, and not always by Liverpool. It is also the centre of the world's financial business. For example, traders in the East Indies who ship cargoes of spices and other Eastern produce to America, draw in settlement on London rather than on New York, while traders in America who ship cargoes of cotton to Marseilles or Riga, draw in settlement on London rather than on Paris or St. Petersburg. What is it that thus makes London the chief seat of population in the world, the commercial metropolis of the world, the great financial clearing-house of the world?

LONDON THE CENTRE OF THE LAND SURFACE OF THE GLOBE



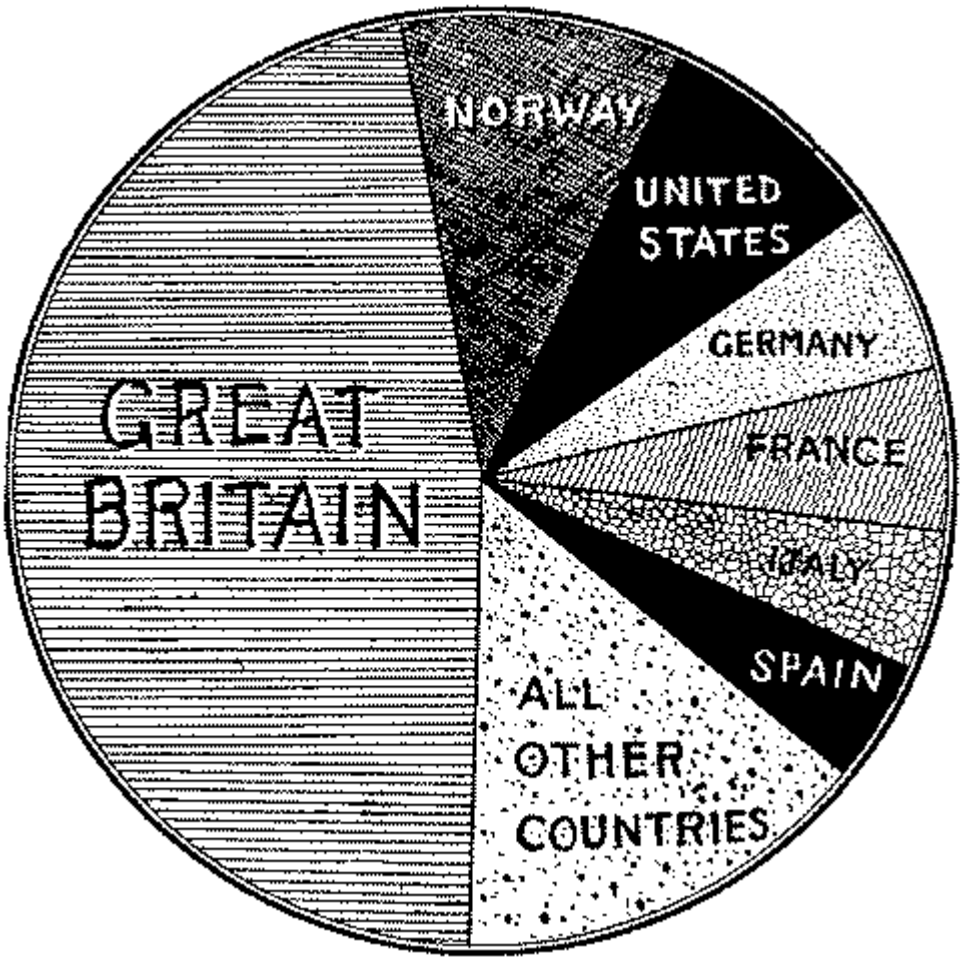
London the natural centre of the world's trade.

London stands as nearly as possible in the centre of the land surface of the globe. Its situation, therefore, eminently adapts it to be the great centre of the world's trade—the great distributing centre of the world's products. Its ships can go to the farthest parts of the earth, and, loading themselves with the natural products of these parts, can bring them to its docks without breaking bulk, deposit them there for assortment, and then take them away again to other parts of the earth, and do this more economically than the ships of almost any other port in the world. But a greater reason is to be found in the fact that for centuries the British people have pursued a

definite policy of manufacture, trade, and commerce, and have had the good fortune to have had that policy interfered with in a less degree than any other nation in the world by commerce-destroying war, whether internal or external. And whenever Britain has been in external wars her navy has been able to protect her commercial interests. London, being the capital of the kingdom and its chief seat of trade, has naturally derived the principal benefit from these many years of peaceful industry and commerce. Then, again, London is favourably adapted to trade in respect to its own country. It is a seaport, sixty miles inland, and is connected by navigable canals with all the other chief manufacturing and commercial centres of the country. Its railway facilities, too, are so complete that there is not a manufacturing town in the whole island that is not within fifteen hours of freightage from it. Then, too, the peculiar configuration of the coast-line of Great Britain makes every point on the island within an hour or two of carriage from a seaport. Finally, all British seaports are in trade connection with London by a coasting service unequalled in the world for cheapness, completeness, and efficiency. In a word, London stands not only in the centre of the land surface of the globe, but also at the commercial centre of its own home territory—that is to say, within easy reach both by water and by land of all the trading and producing interests of a people that for centuries have been leaders in commercial and manufacturing industry and enterprise.

GREAT BRITAIN'S COMMERCIAL POLICY

But that which more than anything else has made London the great trade centre of the world has been the policy, now for many years adopted by the British people, of allowing the goods and products of all other nations to enter their ports untaxed. Every port in Britain is a free port of entry for all imported merchandise except spirits, tobacco, wine, tea, coffee, cocoa, and chicory; and ships of all nations are allowed to trade at British ports upon terms exactly the same as those laid down for British ships. The result is that Britain has become the entrepôt or distributing mart for the produce of the world. Ships of all nations are found at her wharves, and commodities from all parts of the world brought in those ships are found in her warehouses. Her mercantile navy numbers 21,000 vessels, and 8000 of these are steamships. The tonnage of these vessels amounts to over 8,750,000 tons, and of this nearly 8,000,000 is engaged in the foreign trade alone. Her mercantile sailors number over 250,000 men, and over 150,000 of these are engaged in the foreign trade. London is, of course, the chief gainer from this perfect unrestriction of trade. Twenty-seven per cent. of the whole trade of the country is in its hands. Its merchants do business in every seaport on the globe, and the trade of Great Britain with ports in Europe, the Levant, Egypt, India, the East Indies, China, Japan, and Australasia, is almost wholly controlled by them. Its shipping embraces the finest trading fleets known to commerce. Its docks and wharves extend on either side of the Thames for twenty-four miles from London Bridge down to Gravesend, and are the largest and finest in the world.

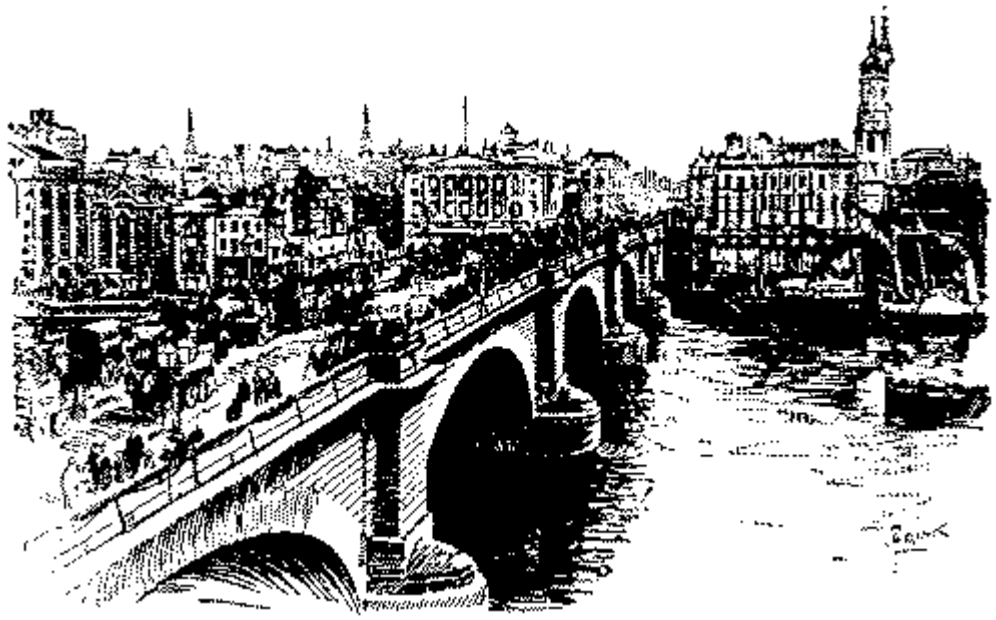


British mercantile marine. Compared with that of other countries.

LONDON THE CLEARING-HOUSE OF THE WORLD

A similar explanation is to be given of the fact that London is the great financial centre of the world. The same policy which has made Britain a great trading country has also made her a great manufacturing country. The food products of all the world pour in upon her shores, and Britain has become a cheap place to live in. Her artisans are supplied with the best food that the world can produce, and this at prices that are practically what

the British demand makes them to be. The British artisan is therefore both well fed and cheaply fed. As a consequence of this, British manufactures are produced more efficiently and more cheaply than those of most other nations, and they are therefore exported enormously to every quarter of the globe. London, from its accessibility with respect to the great manufacturing centres at home, and from its trade connections and facilities for trade abroad, is the great distributing centre of this enormous manufacture. London exporters have accounts for goods sold by them all the world over. There is, therefore, no quarter of the world where money is not constantly owing to London; or, if not to London, then to Manchester, Birmingham, Sheffield, Leeds, Glasgow, or some other manufacturing centre in close financial touch with London. In this, then, lies the explanation of the financial supremacy of London. No matter in what quarter of the world money is owed by any place, the final destination of that money is London; for in almost all cases it will be found that the locality to which the money is owed, if it be not London, will itself be a debtor to London. London, therefore, from necessity, and as a matter of custom and convenience, has become the great clearing-house of the world. The final adjustments of the indebtedness of all the commercial centres of the world are made there.



London bridge.

GREAT BRITAIN THE CREDITOR NATION OF THE WORLD

One other reason for the financial supremacy of London lies in the enormous wealth of Britain. For now almost half a century Britain has been importing far more than she has been exporting, and the total volume of her import and export trade is more than quadruple what it was in 1850. The consequence is that not only has Britain been accumulating wealth, but she has been accumulating it enormously. Her accumulated savings, therefore, have been at the world's disposal, and she has had so much money to invest that she has become the creditor nation of the world. The total investments of British capital in foreign countries (in loans, railways, manufacturing syndicates, etc.) is estimated to be the enormous sum of over $10,500,000,000. London, of course, is the

investing, controlling, and supervising counting-house for all this capital. And as so much British capital finds in London its place of investment, it naturally follows that nearly all the remaining unemployed capital of the world, that seeks investment, either is sent to London as a market, or else assumes a price for investment elsewhere which the current price of capital in London warrants it to assume. The London market rate of capital, therefore, determines its market rate in every other commercial centre of the world.

GREAT BRITAIN A BEEHIVE OF MERCANTILE AND MANUFACTURING INDUSTRY

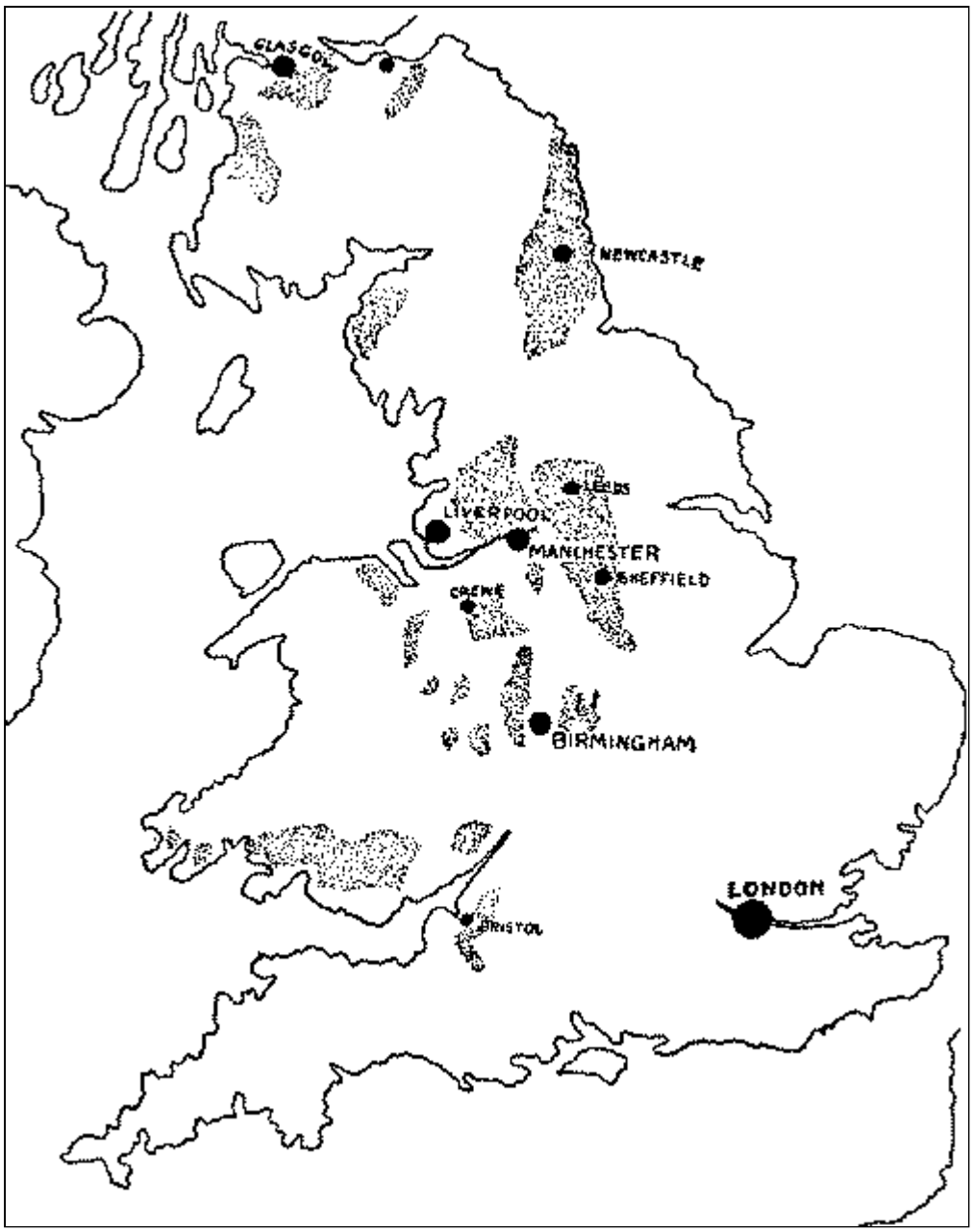
Britain like all other civilised countries, was originally an agricultural country. Although for some centuries she has been one of the chief manufacturing and mercantile countries of the world, it has been only during the past one hundred years, and especially during the past fifty years, that her development in manufactures and in commerce has been remarkable. Britain is still, in respect of quality, the foremost agricultural country on the globe. Her breeds of horses, cattle, sheep, and swine are the standard breeds from which almost all other breeds derive their origin, and by which from time to time they are improved. And nowhere is the raising of grains and roots for food of man and beast pursued with more skill and success than in Britain. But agriculture is fast ceasing to be an important industry of Britain. Two million acres less are under cultivation now than were cultivated fifty years ago. The total amount of wheat raised is sufficient only for three months' consumption of the people; the remaining quantity needed must be supplied by importation. Three fifths of the total population of

the island live in towns, and only a small proportion of the population that live in the country is actually supported by agriculture. Agriculture, in fact, supports only fifteen per cent. of the population in all Britain, and in England only ten per cent. Three and a half times as many people are personally engaged in manufactures as in rural pursuits. For three quarters of a century the population in towns and cities has been growing four times faster than the population of the rural parts. At the same time the working power of the urban population has been constantly growing more effective. In fifty years, by the general adoption of machinery, the effective working power of the British workman has been increased sixfold. In England eighty-six per cent. of the total work of the country is done by steam, and in Scotland ninety per cent. Great Britain, therefore, has become practically one great beehive of mercantile and manufacturing industry. Agriculture as a general occupation of the people, except in the production of the finer food products, such as choice beef and mutton and high-grade dairy products, is no longer profitable. Indeed, during the last fifteen years the plant (including land) employed in agricultural industries has been depreciating in value at the rate of $150,000,000 yearly; that is, in these fifteen years the enormous sum of $2,250,000,000 of capital employed in agriculture has been obliterated. But the gain to capital employed in profitable mercantile and manufacturing pursuits has much more than compensated for this enormous loss in agriculture.

GREAT BRITAIN'S COAL-FIELDS AND IRON DEPOSITS

One reason for the great development which Britain has made as a manufacturing and trading nation lies

in the fact that Britain was the first nation to utilise on a large scale the power of steam as a help to manufacture and trade. The steam-engine was a British invention. The first railways were built in Britain. The first steamship to cross the Atlantic was a British enterprise. A second reason lies in the fact that when Britain began to use steam as a motive power she found her supplies of coal so near her iron mines, and so near her clays and earths needed for her potteries, that from the very first she was able to manufacture cheaply and undersell most of her competitors. Her coal-fields have an area of over 12,000 square miles, and wherever her coal-beds are other natural products have been found near by, so that her manufacturing areas and her coal areas are almost identical. Taking Liverpool, Manchester, Birmingham, Wolverhampton, Sheffield, Leeds, Newcastle, Durham, Bristol, Stoke, Carlisle, Cardiff, Swansea, Glasgow, Paisley, and Dundee as centres, around each of these lies a coal area of such richness as amply sustains it in its commercial and manufacturing pre-eminence. London is almost the only great commercial centre of Britain that does not lie in the midst of or quite adjacent to a rich coal and other mineral region. But London is within easy distance, not only by rail, but also by canal and by coastwise sailing, of every coal-field and mineral deposit of Britain. London, however, is an importing and exporting centre rather than a manufacturing centre.



The coal-fields of England.

LONDON'S SPECIAL TRADE FEATURES

The commercial supremacy attained by many of the large cities of Britain is not wholly due to natural causes, or even to ordinary causes. Much of it is due

to extraordinary enterprise and forethought on the part of their citizens. London, for example, is the centre of the wool trade of Britain. The woollen manufacturers of Britain use about 250,000 tons of wool annually, and three fourths of this is imported. Other cities that lie near the seats of the great woollen manufactures—Liverpool, for example—have tried to secure a share of this vast importation of wool, but London, because of the special attention it gives to this trade, manages to keep almost the whole of the trade in its own hands. Similarly, London almost wholly monopolises the trade of England with Arabia, India, the East Indies, China, and Japan. It is therefore the great emporium for tea, coffee, sugar, spices, indigo, and raw silk. It also enjoys the bulk of Britain's trade in fruits (oranges, lemons, currants, raisins, figs, dates, etc.) and in wines, olive oil, and madder, with the countries that lie about the Mediterranean. By virtue partly of its situation, but largely because of the enterprise of its merchants, it absorbs nearly the whole of Britain's French trade, and of England's trade with Germany, Belgium, Holland, and Denmark. This includes principally wines (from France), and butter, eggs, and vegetables. Another great branch of its trade is that with the ports of the Baltic, including those of Russia, the imports comprising, besides wheat and wool, tallow, timber, hemp, and linseed. The tobacco imported from Virginia into England goes almost wholly to London; so does almost the whole of the Central American and South American trade in fine woods, dye-stuffs, drugs, sugar, hides, india-rubber, coffee, and diamonds. Quite a large share of the trade of Britain with Canada is concentrated in London; also, more than one half of the trade of England with the West Indies, the imports from the latter country comprising principally sugar, molasses, fruit, rum, coffee, cocoa, fine woods, and ginger.

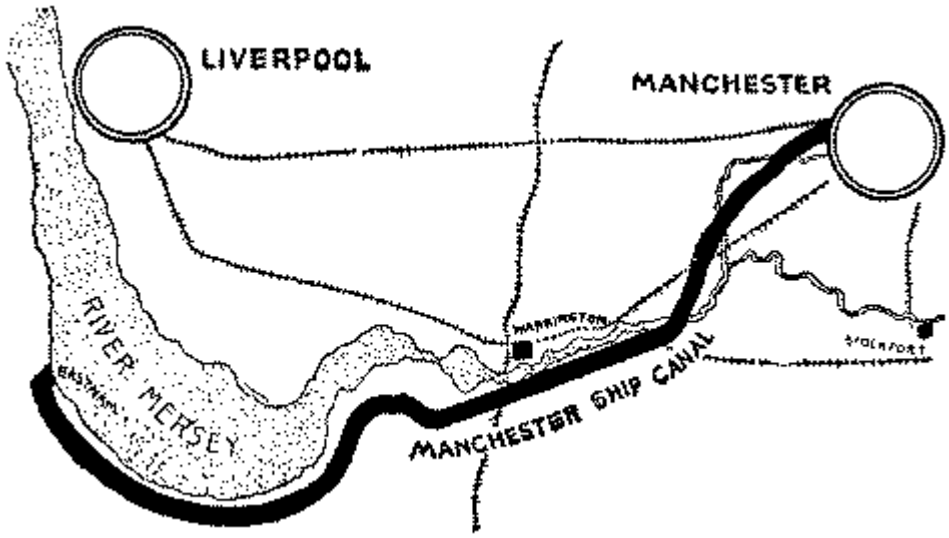
THE SPECIAL TRADE FEATURES OF GLASGOW, LIVERPOOL, AND MANCHESTER

The great commercial centres of Britain after London are GLASGOW (800,000), LIVERPOOL (700,000) and MANCHESTER (640,000, including SALFORD). All these cities have derived the greater portion of their size from the progress they have made during the present century. All, of course, owe their progress and their prosperity largely to their natural advantages of situation, etc. LIVERPOOL stands on the margin of the Atlantic, "the Mediterranean of the modern world," and thus enjoys the principal share of the trade with America, especially that with the United States. Great Britain's imports from the United States amount to over $500,000,000 per annum, and her exports to the United States (exclusive of bullion, etc.) to over $100,000,000. (Formerly the exports to the United States were twice this amount.) Of this vast trade, amounting to one fifth of Britain's total trade with the world, Liverpool enjoys the lion's share. Nearly all the cotton, not merely of the United States but of the world, that is used in Europe is sent to Liverpool for distribution. Similarly, GLASGOW, situated with its aspect directed toward the same maritime routes, enjoys also an immense transatlantic trade both north and south. And MANCHESTER, situated in the very heart of the richest coal districts of the kingdom, and within easy reach of the great cotton port, Liverpool, has built up a cotton-manufacturing industry surpassing that of all the rest of the world.

THE BUSINESS ENTERPRISE OF GLASGOW, LIVERPOOL, AND MANCHESTER

But the natural advantages of situation possessed by these great cities have been grandly supplemented by the enterprise of their inhabitants. GLASGOW is only a river port. For twenty miles below its site the Clyde is naturally narrow, shallow, and shoal-encumbered. In places it is naturally not more than fifteen inches deep. By the expenditure of no less a sum than $60,000,000 this shallow stream has been converted into a continuous harbour, lined on either side for miles with wharves and docks, and easily capable of accommodating the largest and finest merchant ships afloat. As a consequence of this enterprise Glasgow has become the greatest ship-building port in the world. No less than twenty shipyards—in efficiency and magnitude of the very highest class—are to be found along the banks of the once shallow, impassable Clyde, between Glasgow proper and the river's mouth.

Similarly, the enterprise of the ship merchants of LIVERPOOL has converted a port, that high tides and impassable bars would naturally render unfit for modern ships, into the greatest shipping port in the world. One hundred million dollars were spent in making the improvement, but $5,000,000 is the annual revenue derived therefrom in dock dues alone. And because of this enterprise Liverpool can now boast of controlling one fourth of all the imports of the kingdom, and two fifths of all the exports, and of handling three fourths of all the grain and provision trade of the kingdom, and of having the largest grain warehouses in the world.



The Manchester ship canal.

But MANCHESTER, a wholly inland city, forty miles distant from Liverpool, its nearest port, has outdone even Glasgow and Liverpool in its endeavour to bring the sea to its own doors. It also has spent $100,000,000—not, however, in amounts spread over a number of years, and as occasion seemed to demand, but all at once, in one lump sum, in one huge enterprise. It has built a canal to the Mersey where it is navigable, thirty-five and one half miles in length, and sufficiently deep and wide, so that the whole of its vast importation of cotton, and the whole of its vast manufacture of cotton and other textile fabrics, and as much else as may be desired, may be brought in from the sea or taken to the sea in merchant vessels of the very largest size now afloat. And it has done this in the face of engineering difficulties, and of obstacles raised against it by jealous competing interests that were almost insurmountable.

GREAT BRITAIN'S SPECIALISATION OF HER INDUSTRIES IN DEFINITE CENTRES

In no part of the world are manufacture and trade carried on with such strict regard to the conditions of economic production and the economic handling of goods as in the British Isles. The free-trade policy of the empire permits everywhere within its borders not merely national but world-wide competition; and yet it is but truth to say that wherever Great Britain attempts to sell her goods abroad every nation and every community in the world rises against her. Even her colonies are against her. Her markets are open to every one's trade, and yet in almost every market in the world which she does not absolutely control barriers are raised against her trade. She is able to sell goods in foreign markets only because, despite these barriers, she is able to undersell all competitors in them, or to give better value for the same money than they. Even when she obtains the control of new markets, as she has in India, China, Egypt, West Africa, etc., she allows every nation to trade in these markets on precisely the same terms as she herself trades in them. In the face of this world-wide competition, therefore, the industries of Britain would cease to exist if every condition conducive to economy of production—climatic suitability, availability of cheap motive power, accessibility to cheap raw material, and accessibility to natural and cheap means of transportation—were not taken advantage of to the utmost. But this is just what Britain does. She does take advantage to the utmost of conditions conducive to economy of production; and this is why, to a degree nowhere else attempted in the world, she has specialised her industries in definite favouring localities.

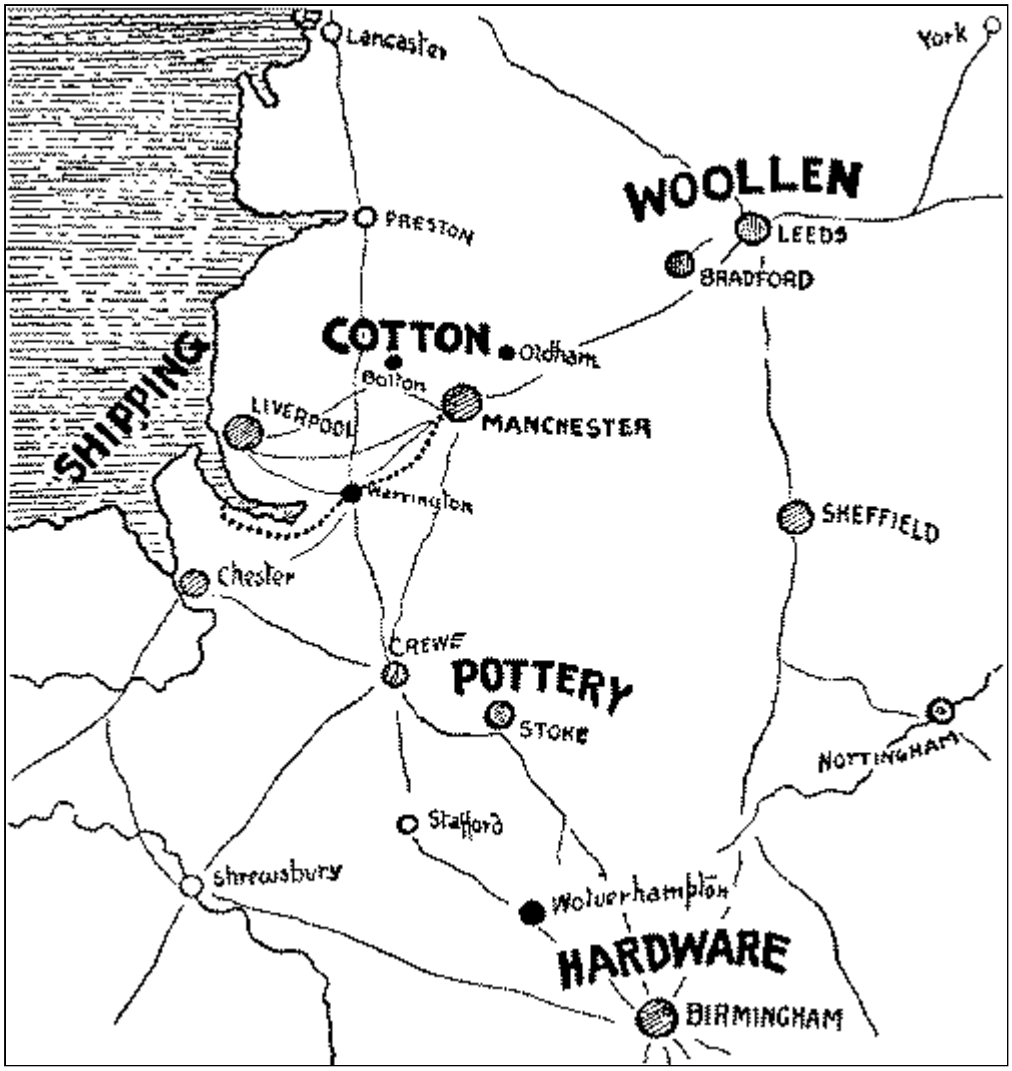
THE NATURAL APTITUDES OF COMMUNITIES IN GREAT BRITAIN FOR SPECIAL INDUSTRIES

A result of this specialisation of industries in definite centres is that a natural aptitude for the industry specialised in a locality is developed among the inhabitants of the locality, and this, being stimulated by association, is transmitted from generation to generation with ever-increasing efficiency. Again, this inherited aptitude of the community for the industry historically associated with it is a prime element in the economic prosecution of the industry. Also, in turn, it acts as an important influence in continuing the industry in the locality where once it has been successfully specialised. In no country in the world, outside of Asia, have great industries had such long-continued successful existence in definite localities as in Britain. And therefore in no country in the world do the natural aptitudes of communities for special industries constitute such an important element of economic industrial production. A community of efficient "smiths," for example, has existed in and about Birmingham since the fifteenth century. As a consequence of this the Birmingham country has for several centuries been the greatest seat of the metal or hardware industries in the world. Again, the manufacture of woollen cloths has been an industry successfully specialised in West Yorkshire from the fourteenth century. It results that nowhere in the world is the woollen manufacture carried on more prosperously than in West Yorkshire to-day. The potteries of Staffordshire have been in existence time out of mind, and in the eighteenth century they took a pre-eminent place among the industries of the world. They hold that place of pre-eminence now, even though since then the methods of manufacture have been several times revolutionised.

THE COTTON MANUFACTURES OF GREAT BRITAIN

But the influence which more than anything else has determined the specialisation of industries in certain places in Britain rather than in others has been the presence of coal-fields. In only a very few instances have great industries been maintained in districts that are not coal-producing. The busiest industrial centre in all Britain is, perhaps, South Lancashire, the great seat of the COTTON MANUFACTURE. South Lancashire is one great coal-field. LIVERPOOL, the great cotton port of the world, is at one edge of this field. MANCHESTER, the cotton metropolis of the world, is at the other edge. Between and near these two chief towns is a whole nest of large towns and cities—PRESTON, BURNLEY, BLACKBURN, ROCHDALE, BOLTON, BURY, ASHTON, STOCKPORT, OLDHAM, etc.—every one of which is wholly devoted to the cotton interest. From their position all these towns obtain both their motive power and their raw material at the lowest possible cost. But, in addition to its advantages of cheap coal and cheap raw material, South Lancashire has one other great advantage in favour of its special industry—its climate is eminently suited to the industry. Its atmosphere is moist, and not too moist, and its temperature is not too cold. Cotton thread can be spun and woven in Lancashire which elsewhere would break. In scarcely any other place in England has cotton-weaving or cotton-spinning ever proved a success. The cotton industry of Scotland is not so localised as it is in England, but PAISLEY (65,000) is famous all the world over for its identification with the manufacture of cotton thread. Ireland has no important cotton manufactures except in BELFAST. One third of the cotton manufactured in the world is manufactured in the United Kingdom. The total product is about 14,000 miles of cloth daily. The

number of separate mills is over 2500. The annual product is $500,000,000, which is one hundred times what it was one hundred years ago. The quantity of raw cotton imported annually to sustain this immense production is 1,750,000 pounds.



The great manufacturing districts of England.

THE WOOLLEN MANUFACTURES OF GREAT BRITAIN

A second great industry of Great Britain is its WOOLLEN MANUFACTURE. This industry is specialised in England, principally in West Yorkshire, a district which is as well supplied with coal as is South Lancashire. LEEDS (410,000) and BRADFORD (232,000) are the two principal seats of the industry, but HUDDERSFIELD and HALIFAX are also important "cloth towns," and many other communities are identified with the manufacture of woollens. The noted "West of England" cloths are made principally in Gloucestershire, where their manufacture in the town of STROUD is a survival of an ancient industry once general throughout the whole county. In Scotland there are two centres of the woollen industry. The first and most important is in southeast Scotland, where, in the valley of the Tweed (in GALASHIELS, HAWICK, JEDBURGH, etc.), the celebrated "Scotch tweeds" are manufactured. The second is in the valley of the Teith (STIRLING, BANNOCKBURN, etc.). At one time the sheep that were pastured on the wolds of Yorkshire were the chief supply of the raw material for this industry in the whole of Britain, but that time is now long past. The total annual import of wool into the United Kingdom is about 750,000 pounds, of which about one half is retained for home manufacture. Two thirds of this import comes from Australia. The number of wool and worsted factories in the kingdom aggregates over 2750. The value of the woollen goods produced annually is about $250,000,000, which is about one fourth of the total product of the world.

THE LINEN MANUFACTURES OF GREAT BRITAIN

The third great textile manufacture of the United Kingdom is that of LINENS. This is the one

manufacture in which Ireland surpasses her sister kingdoms, England and Scotland. The cultivation of flax and the spinning of linen yarn have been domestic industries throughout all Ireland from time immemorial. But at the present time the linen-manufacturing industry of Ireland is almost wholly concentrated in BELFAST. In Scotland, which now almost rivals Ireland in the extent and perfection of her linen manufactures, the industry is principally located in Fifeshire and Forfarshire, especially in the towns of DUNDEE and DUNFERMLINE, the latter town being greatly famed for its napery and table linens. Linen, like cotton, requires a peculiar atmospheric condition of temperature and moisture for its manufacture, and only in few localities has the linen industry been successfully established. The total value of the annual linen manufacture of the United Kingdom is $100,000,000.

OTHER TEXTILE MANUFACTURES OF GREAT BRITAIN

The annual value of the total manufacture of textile fabrics in the British Isles is about $1,000,000,000 —not far short, indeed, of one fourth of the total manufacture of textile fabrics in all the world. Great Britain has over $1,000,000,000 invested in her textile industry, and one half of her total exports consists of textile manufactures. Cotton, woollen, and linen cloths are the chief staples of this industry, but there are many other branches of it and many other localities in which it is specialised besides the ones already mentioned. LEICESTER (204,000), which, like so many other manufacturing cities of England, lies at the centre of a coal-field, is the chief seat of the WOLLEN HOSIERY manufacture. DUMFRIES is the chief seat of the woollen hosiery manufacture in Scotland. KIDDERMINSTER, in

Worcestershire, is the chief seat of the "Brussels" carpet industry; WILTON, in Wiltshire, of the Wilton carpet industry. KILMARNOCK, in Ayrshire, is the chief seat of the carpet manufacture in Scotland. NOTTINGHAM (233,000) is the metropolis of the cotton hosiery and lace manufacture of England. NORWICH (110,000), in eastern England, has a noted manufacture of muslins and fine dress-goods. The Norwich textile manufacture is an instance of the continuance of an industry in a community historically associated with it, although its seat is far removed from a coal-field. The SILK manufacture of Great Britain is almost entirely confined to the county of Derby and adjacent districts in England. MACCLESFIELD, in Cheshire, is the chief centre. COVENTRY is noted for its silk ribbons and gauzes. But the manufacture of silk in Britain is not prospering like that of her other textile fabrics. In fact, in forty years it has depreciated three fourths. British silk manufacturers are not as adept in weighting their products with dyes as their French competitors are, and in consequence English silks, though intrinsically better than French silks, look inferior and therefore cannot be sold at profitable prices. But, on the other hand, the JUTE manufacture of Great Britain is increasing by leaps and bounds. Established only sixty years ago, the value of its annual output is now twice that of the whole manufacture of silk, and in twenty-five years has tripled. The chief seat of this industry is DUNDEE (160,000), in Scotland.

THE HARDWARE MANUFACTURES OF GREAT BRITAIN

The textile manufactures of Great Britain are in the aggregate first in importance, but the HARDWARE manufactures come a close second. The total

amount of Great Britain's hardware products is about $750,000,000, or one fourth of the total product of the world, and of this about one third is exported. Even more than her textile fabrics, the hardware manufactures of Great Britain are associated with her coal-fields. The most distinctive "hardware centre" is that one which is identified with the great coal-field in the middle of England known as the "Black Country." BIRMINGHAM (506,000), the chief place in this centre, is unrivalled in the world for the multifariousness and extent of its metal manufactures. It is literally true that everything from a "needle to an anchor" is made within its limits. But though its industries comprise principally those of iron and steel, its manufactures in gold, silver, copper, zinc, lead, and aluminium are also very important. Birmingham, too, is unrivalled in the world in the application of art to metal work. Its manufacture of jewellery, and gold and silver ornaments, is enormous. Its manufacture of small wares is also enormous. For example, it turns out 15,000,000 pens weekly. Its manufacture of buttons runs into the hundreds of thousands of millions. WOLVERHAMPTON (88,000), also in the Black Country, is noted for its manufacture of heavy hardware and machinery. So also in OLDHAM, in the Lancashire district. So also in LEEDS, in the West Yorkshire district. SHEFFIELD (352,000), also in Yorkshire, is historically identified with its celebrated cutlery manufacture, an industry that first began there because of the quality and abundance of the grindstones found near by. With the coal-beds of Durham and Cumberland are identified the great ship-building and locomotive-building industries of NEWCASTLE (218,000), SUNDERLAND (142,000), and DARLINGTON, on the northeast side of England, and the great steel manufactures (the largest in the kingdom) and ship-building industries of BARROW-ON-FURNESS, on the northwest side. With the coal-

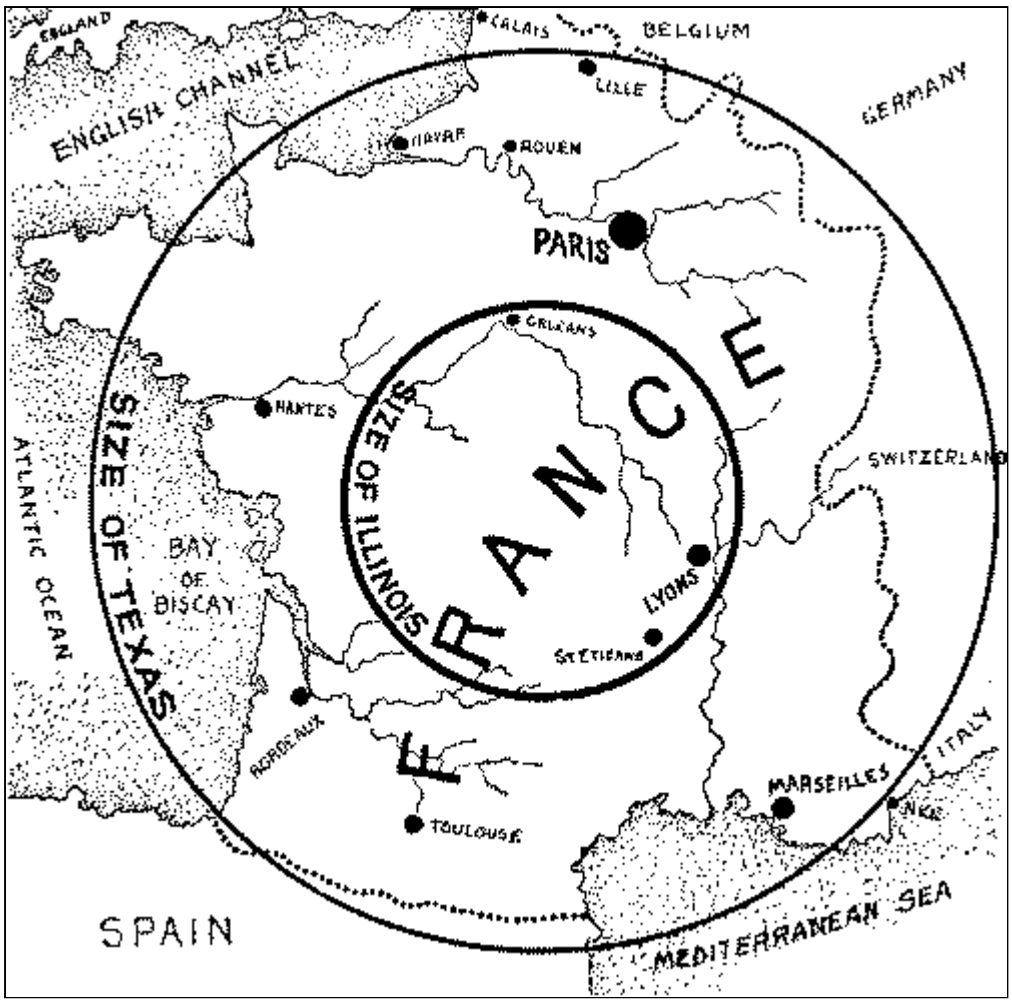
fields of South Wales (noted for its smokeless coal) are identified the smelting industries of SWANSEA (70,000). Ores of copper especially, but also of silver, zinc, and lead, are brought from all over the world to Swansea to be smelted. These South Wales coal-fields also account for the fact that in respect to amount of tonnage CARDIFF (160,000) is one of the chief ports for exports in the world, ranking in this respect next after New York. The exports of coal from Cardiff are now 12,000,000 tons annually.

II. THE TRADE FEATURES OF FRANCE

FRANCE A RICHLY FAVOURED COUNTRY

France by nature is one of the most highly favoured countries in the world. Its climate is genial. Its temperature is so varied that almost every vegetable, grain or fruit needed for the sustenance of man may be raised within its borders. Its soil, though not surprisingly fertile, yet yields abundantly such products as are suited to it. Its mineral resources, especially in coal, iron, lead, marble, and salt, are very considerable. Its area is compact. Its facilities for foreign commerce are unsurpassed. It lies between the two bodies of water—the Atlantic and the Mediterranean—of greatest commercial importance in the world. And its people, especially those in rural parts, are exceptionally frugal and industrious. But France as a nation has not made the progress in the world that its natural advantages call for. It has been cursed with expensive and unstable governments and sanguinary wars. Its upper classes, the natural leaders of its peoples, are excessively fond of pleasure and military glory, and the energies

of the nation have been much misdirected. As a consequence, despite its natural advantages, France is losing ground among the nations of the world. Its national debt amounts to nearly $7,000,000,000, the largest national debt known in history, being per head of population seventeen and one half times as great as that of Germany, six times as great as that of the United States, and much more than one and one half times as great as that of Great Britain. But, what is of more serious consequence, the vitality of its people seems debilitated. For years the annual number of births in France has been steadily decreasing, while the annual number of deaths has been more or less increasing. Over a great part of the country the number of deaths annually exceeds the number of births. In numerous years this is so for the whole country. The birth rate is the lowest in Europe. The death rate, while not the highest, is yet higher than in many other countries. As a consequence of all this the population of France is almost stationary. During the last seventy years it has increased only 18 per cent., while that of Great Britain has increased 63 per cent., Germany 75 per cent., Russia 92 per cent., and Europe as a whole 62 per cent. And even this increase, small as it is, is largely due to immigration from other countries. Nor is the emigration of Frenchmen to their colonies or to other countries to be set down as a sufficient explanation. The French are averse to emigration. At the present time the number of Frenchmen residing abroad is only a little more than half a million, while of foreigners residing in France the number is not far short of a million and a quarter.

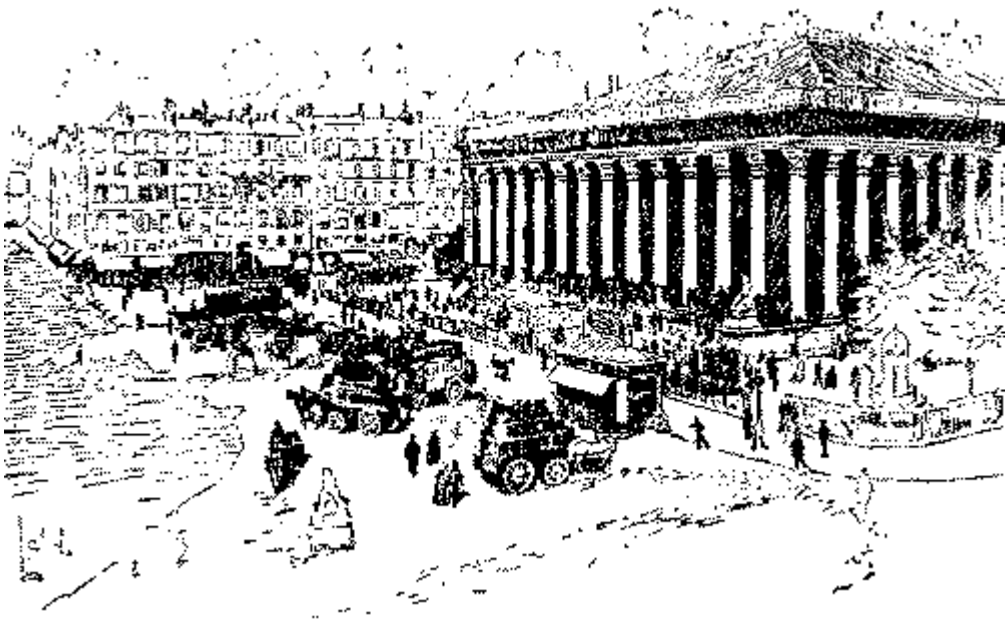


France, compared in size with the States of Illinois and Texas.

THE FRENCH A THRIFTY, FRUGAL PEOPLE

When France is compared with other countries in respect of commercial development and progress, the results will in almost every particular turn out unfavourable to France. For example, since the close of the Napoleonic wars eighty-three years ago the national trade of Great Britain has quadrupled, while that of France has only trebled. At the close of the Franco-German war France was eighteen per cent. ahead of Germany in the carrying power of her

shipping. Now Germany is seventy per cent. ahead of France in that respect. But it must be remembered that the Franco-German war cost France in army expenses and in indemnity no less a sum than $3,250,000,000. The effect of that tremendous expenditure upon the prosperity of the nation can be estimated by one comparison. Since that war the annual average savings per inhabitant in France have been $17. For the same period the annual average savings per inhabitant in Great Britain have been $19.50. Had that war not occurred the average annual savings per inhabitant in France would have been $21.50. In short, no people in Europe are comparable with the working classes of the French people in frugality and thrift, and because of this characteristic, if France were well governed, its prosperity would be equal to that of any country in the world, and this would be so in spite of the fact that France's interest bill imposes a tax of $6.50 a year on every inhabitant of the country.



Street scene in Paris, showing the Bourse.

THE IMPORTANCE OF AGRICULTURE IN FRANCE

France has one element of stability, one characteristic inducive of thriftiness, that most other countries of Europe lack. In most other European countries the land is held by few proprietors. In France it is held by many. In Great Britain and Ireland, for example, the land that is devoted to agriculture is held by only 19,000 proprietors. In France it is held by 3,500,000 proprietors. There are also 3,500,000 district farms in France, though only sixty per cent. of the farm land of the country is cultivated by the owners. It follows from this that agriculture has in France a hold upon the affections and self-interest of the people that it has in no other country in the world. About forty-two per cent. of the total population of the country able to work are employed in agricultural pursuits. Agriculture, therefore, is one of the most important industries of France. One fifth of the total earnings of her people are made in agriculture. It cannot be said, however, that agriculture in France is pursued as successfully as it is in some other countries—in Great Britain, for example. France, with sometimes the exception of Russia, is the largest wheat-grower of all the nations of Europe, but its production of grain per acre is not more than four sevenths that of Great Britain, while its production of grain per farming hand is only two thirds that of Great Britain. But so much of the agricultural effort of France is devoted to such industries as can be carried on in small farms or holdings—potato-raising, for example, and fruit-raising and poultry-raising—that the total money product per acre in France is not far short of what it is in Great Britain. That is to say, while agriculture is more profitably carried on in Great Britain than in France, it proportionately supports a

larger number of people in France than in Great Britain.

FRANCE'S WATERWAYS AND RAILWAYS

France, like Germany, is well supplied with navigable rivers, and these, with its canals, constitute a complete network of navigable waterways that cover all the country and greatly promote the internal commerce of the nation. These navigable rivers aggregate 5500 miles, and the navigable canals over 3100 miles. The tonnage of goods carried on these waterways compares quite favourably with that carried by the railways. The railways aggregate 25,000 miles.

THE DISTINCTIVE AND IMPORTANT MANUFACTURES OF FRANCE

The most distinctive manufacture of France, the one in which she surpasses all other countries of the world, is the SILK MANUFACTURE. France's total production of silk is not far short of one third of the total production of the world. LYONS (466,000), on the Rhone, is the chief seat of the industry, having had this pre-eminence ever since the Jacquard loom was invented there at the beginning of this century. Its production is not far short of three fourths of the total production of the country. The most important manufacture of France, however, is her manufacture of WOOLLENS. In this manufacture she comes next after Great Britain, her total production being a little ahead of that of both Germany and the United States. Her woollen mills number over 2000. Her consumption of wool for this industry is about three

fourths that of Great Britain, but the value of her production is only two thirds that of Britain. LILLE (216,000) and RHEIMS (108,000) are the chief seats of the woollen industry. Of about equal value with the woollen manufacture of France is its HARDWARE manufacture, but the importance of France's hardware manufacture is national rather than international. Of next importance is the manufacture of COTTONS and LINENS. The chief seats of these industries are, for cottons, ROUEN (113,000), the "Manchester of France," and for linens, LILLE. Near Lille is CAMBRAI, the chief place of manufacture for that finer class of linens known as cambrics. A second distinctive manufacture of France is that of GLASS and PORCELAIN. In this manufacture France quite equals Great Britain in respect of value, and surpasses her in respect of the artistic character of the wares. LIMOGES (77,000) and ST. CLOUD (near Paris) are the chief seats of the French porcelain manufacture. It is at St. Cloud that the celebrated "Sèvres" porcelain is made.

PARIS AND THE GREAT SEAPORTS OF FRANCE

Paris (2,536,834) is, of course, the chief trade centre of all France, but the trade interests of Paris are general rather than special. The manufactures that are most localised in Paris are those of articles of luxury, such as jewellery, perfumery, gloves, fancy wares, novelties, and fashionable boots and shoes. Paris is also a great financial centre. MARSEILLES (442,000), one of the oldest cities in Europe, is the great seaport of France. Its trade amounts to over $350,000,000 annually, and it ranks next after Hamburg among the great seaports of central Europe. Its specialty is its great trade with the Mediterranean and the East. The opening of the

Suez Canal has been of incalculable advantage to Marseilles. Next as shipping port comes HAVRE (119,000), at the mouth of the Seine, with a total trade not far short of that of Marseilles. Havre is in reality the port or "haven" of Paris. It is the great depot for French imports from North and South America. These comprise principally cotton, tobacco, wheat, animal produce, and wool. Its import of South American wool is enormous, for three fourths of the wool used in France now comes from the region of the La Plata. Recently the Seine has been deepened and now both Rouen and Paris may be considered seaports. By this means Paris has direct water communication with London, and is, indeed, the third seaport in the country. Next comes BORDEAUX (257,000), the chief place of export for French wines and brandies. About twenty years ago the wine industry of France suffered tremendous loss from the ravages of the insect phylloxera. Over 4,000,000 acres of vineyard, representing a value of $1,000,000,000, were wholly or partially ruined by this terrible pest. The plague, however, has now been stamped out, but nearly 2,000,000 acres of vineyards have been permanently destroyed and have been devoted to potatoes and the sugar-beet root. The result is that the production of wine in France is now less than what is needed for home consumption, and over fifty per cent. more wine is imported than is exported. The remaining great shipping ports are DUNKERQUE (40,000) and BOULOGNE (37,500). CALAIS (57,000) has a great passenger trade with England.

III. THE TRADE FEATURES OF GERMANY

GERMANY THE MOST PROSPEROUS NATION IN CONTINENTAL EUROPE

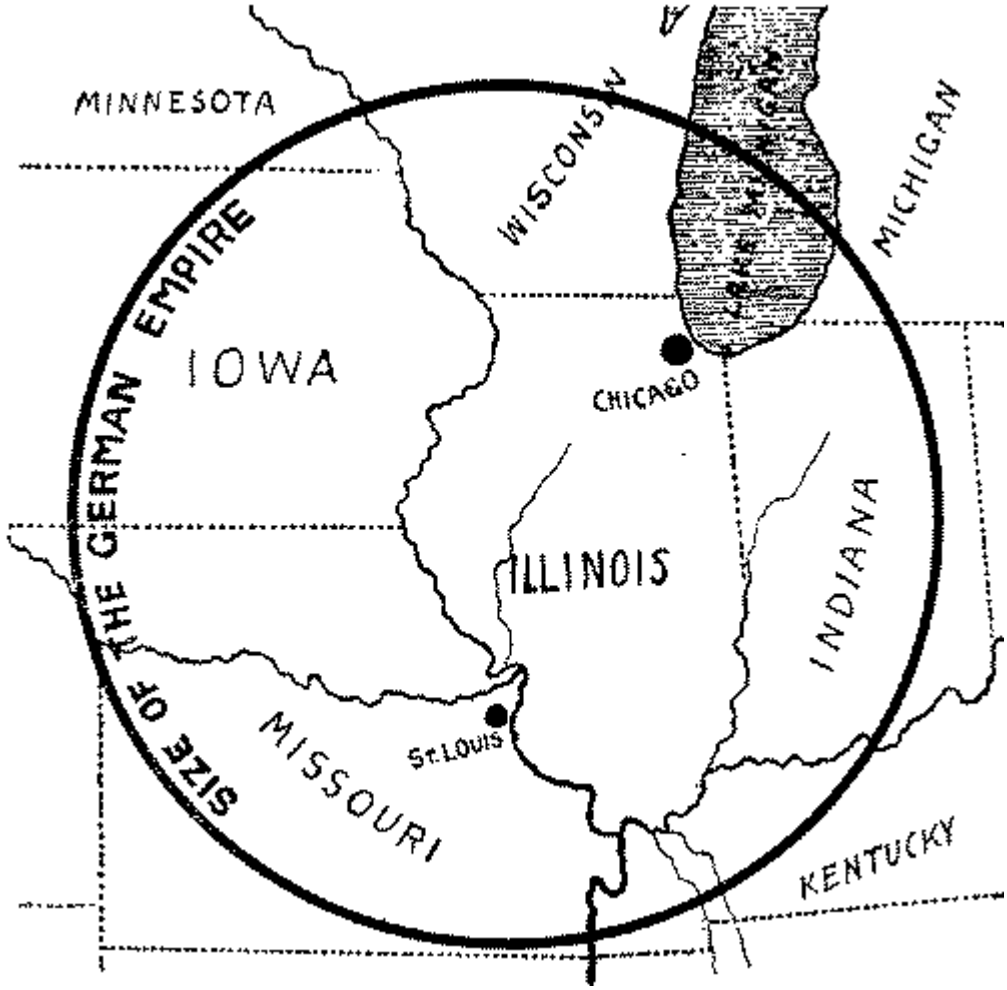
The greatest and most prosperous commercial nation in the old world after Great Britain is Germany. Its population is 52,000,000, as against France's 38,500,000; and while France's population is scarcely increasing at all, Germany's population is increasing the most rapidly of any in Europe. Since the Franco-Prussian war France has gained in population only a little over 2,000,000, while Germany in the same time has gained 12,000,000. In the middle of the present century the populations of Germany and France were equal, being each about 35,000,000. Since that date Germany's population has increased by about fifty per cent. and France's by only about ten per cent. Similarly, the commerce of Germany not only greatly exceeds that of France, but is growing much faster than that of France. The total exports and imports of Germany, exclusive of bullion, now foot up to nearly $2,000,000,000 a year. The total exports and imports of France, exclusive of bullion, foot up to only $1,500,000,000 a year. The total commerce of Germany is therefore about one third more than that of France. At the close of the Franco-Prussian war the total commerce of France considerably exceeded that of Germany.

THE CHARACTER OF GERMANY'S INDUSTRIES CHANGING

Germany, like England, is rapidly changing the character of her industries and becoming a manufacturing and commercial nation instead of an agricultural nation. This is the cause of her well-known anxiety to secure control of territories in

Africa, Asia, etc., as exclusive markets for her manufactures, for, unlike England, Germany is at present a believer in exclusion in trade, both at home and in her colonies. Fifty years ago about four sevenths of the people of Germany were engaged in agriculture; now only about one third of the people are so employed. The growth of the great cities of Germany is eight times faster than that of the rural districts, and in fifty years the aggregate population of the six largest cities of the empire—Berlin, Hamburg, Leipzig, Munich, Breslau, and Dresden—has grown sixfold, namely, from 600,000 to 3,600,000. In fifty years, too, the manufactures of Germany have nearly doubled, the commerce nearly trebled, the shipping increased more than fivefold, and the mining output more than sixfold. While all this is true, it nevertheless is also true that the area of cultivated soil in Germany is double what it was fifty years ago. But this is because much land, formerly waste or in pasture, has been brought under cultivation. Yet even now only one half of the land of Germany is cultivated, and thirty-three per cent. of the total food consumption of the people has to be imported. Fifty years ago only five per cent. of the total food consumption was imported, and this small fraction consisted almost wholly of luxuries.

GERMANY'S SUCCESS IN TECHNICAL EDUCATION



Approximate size of the German Empire.

NOTE.—The population of that part of the United States included within the circle is about 10,000,000. The population of the German Empire is about 52,000,000.

Germany's prosperity and progress cannot wholly be measured by statistics. No one can predict what it will be, for it is partly based upon elements that unfortunately other countries have not taken much account of. Germany pays greater attention to the PRACTICAL EDUCATION of her people than any other nation in the world. Her system of technical education extends over the whole empire, and

provides technical instruction for every class of the people and for every occupation of the people—night schools for those already engaged in life's work, agricultural schools, forestry schools, commercial schools, mining schools, naval schools, and schools in every branch of manufacturing industry, besides, of course, schools for the education of those intending to follow the learned professions. As a consequence of this very general provision of technical education, there is engaged in German manufacturing pursuits a class of workmen not found in the workshops of any other country—men of industrial skill and experience, and at the same time of the highest scientific technical attainments in the branches of science that bear particularly upon their work. These men work at salaries that in other countries would be considered absurdly low. In almost all other countries the possession of a sound scientific education is a passport to social distinction, and every profession is open to him who is deserving to enter it. In Germany, however, the learned professions, and especially the official positions of the army and navy, are almost the exclusive preserves of those who are born to social rank. The educated commoner, therefore, has to betake himself to manufacture, trade, or commerce. It follows that scientific skill and intelligence are more generally diffused in German commercial industries than in those of all other nations. So far, however, the German artisan has not been the equal in special technical skill of his more rigidly specialised English competitor, and as a consequence of this more than one sixth of Germany's total imports consist of goods brought from England—principally the finer sort of textile fabrics and articles of iron and steel. This inferiority in specialisation in the German workmen cannot continue long, and the successful rivalry of Germany with the

manufacturing pre-eminence of Great Britain may soon be a startling fact.

GERMANY'S MINES AND HARDWARE MANUFACTURES

It is in the development of her mines and of manufactures in which MINERALS are employed that Germany has made most noticeable progress. She produces four times as much coal as France, and she has over 1000 separate iron-mines. Her production of iron has increased tenfold in fifty years. She employs over 400,000 men in her mines, and by the use of labour-saving machinery one man can now produce as much as three men could produce fifty years ago. Her HARDWARE manufactures are one sixth of her total manufactures, and in the past half century they have increased sixfold. They are now double those of France, and are only one fourth less than those of Great Britain. She has 750 factories devoted to the making of machinery alone. Two of these—Krupp's at Essen, and Borsig's at Berlin—are among the largest in the world. Krupp's employs 20,000 men, has 310 steam-engines, and covers an area of 1000 acres. Borsig's employs 10,000 men, and in fifty years, starting from nothing, has turned out nearly 4000 locomotives. One of Krupp's hammers (a fifty-ton hammer) cost $500,000.

GERMANY'S INTERNAL TRADE

Germany's commercial energies up to the present have been mainly concentrated on her INTERNAL TRADE. The total amount of this trade foots up to $7,000,000,000, against France's $6,000,000,000,

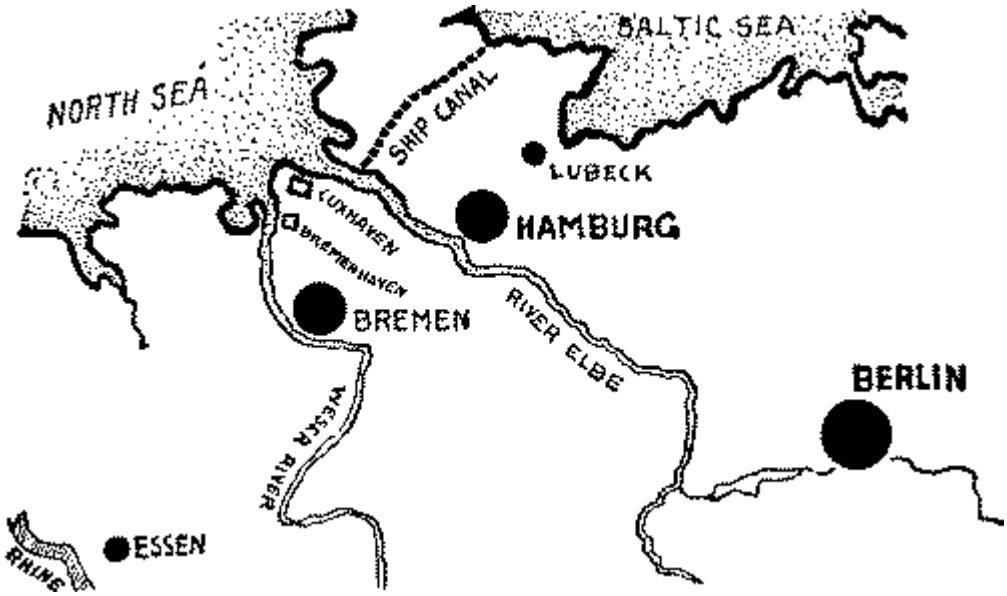
and in fifty years it has trebled, while that of France has scarcely doubled. Germany has more miles of railway than any other country in the world except the United States, her mileage being nearly 30,000, against France's 25,000 and Great Britain's 21,000. Her natural and artificial waterways are also the best in Europe, and her vast production of mineral wealth is transported from mine to foundry and factory, and her vast production of lumber and grain is transported from forest and field to seaport, largely by means of water carriage. The Rhine, the Elbe, the Oder, and the Vistula are all navigable throughout their whole courses through German territory, while the Weser and the Danube are also navigable throughout great parts of their courses. All these navigable rivers are interconnected by canals. The total length of possible river navigation is nearly 6000 miles, while the total length of canals and canalised rivers is 2700 miles. Besides, in 1895 there was completed the Kaiser Wilhelm Canal, a lockless sea-going vessel canal, twenty-nine feet six inches deep and sixty-one miles long, connecting the North Sea and the Baltic, and constructed at a cost of nearly $40,000,000. This canal effects a saving of almost one whole day for commercial steamers, and of three days for all sailing-vessels, engaged in the Baltic and North Sea trade.

GERMANY'S FOREIGN TRADE

But while it is true that Germany's internal trade is her most important trade, it is also true that her FOREIGN TRADE has during the last half century made more progress than that of any other European country, and during the last three or four decades more progress than even that of the United States. Since 1840 it has increased six and two third times, while that of Great Britain has increased six times,

and France only four and one fifth times. It is now second in the world, being more than half of that of Great Britain, ahead of that of the United States,[1] and very considerably ahead of that of France, while in 1860 it was much less than half of that of Great Britain, less than that of the United States, and considerably less than that of France. Germany, however, is not well favoured with respect to seaports, for in its transmarine trade it is largely dependent on foreign seaports—namely, ports in Belgium, Holland, France, Italy, and Austria. Rotterdam in Holland and Antwerp in Belgium are much more favourably situated with respect to the commerce of its chief mining and manufacturing regions than any of its own ports. There are only two German seaports with water of depth sufficient to accommodate the deep-drawing vessels in which foreign commerce is now mainly carried on—namely, CUXHAVEN, the outport of Hamburg, sixty-five miles from Hamburg, and BREMERHAVEN, the outport of Bremen, thirty-five miles from Bremen, though recent improvements in the navigation of the Elbe allow vessels of even twenty-six feet draught to ascend the Elbe wholly to Hamburg. But HAMBURG (625,000), for the reason that for centuries it was a free port of entry, has built up a very large foreign trade, being the fifth in the world in this respect, London, New York, Liverpool, and Rotterdam, alone being ahead of it. Hamburg's foreign trade is almost one half greater than the whole foreign trade of all other German ports put together, while the foreign trade of Bremen is about one fourth that of Hamburg. BREMEN, like Hamburg, was for centuries a free port of entry, but in 1888 both Hamburg and Bremen gave up in great part their free port privileges and entered the general customs union of the empire. Both cities were extremely loath to give up their ancient unique commercial privileges, for they feared an immense loss of trade in doing so, but it was hoped that what

they lost in foreign commerce would be made up to them in increased commerce with other parts of the empire. One reason for the great development of Germany's foreign trade in late years is found in the facilities that it possesses for rapid transit to and from Italy by means of tunnels through the Alps.



North central Germany, showing the ship canal and the leading commercial arteries.

FOOTNOTE:

[1]During the last two or three years the foreign trade of the United States has greatly expanded and has exceeded that of Germany, and is making a close push upon that of Great Britain. The above statement was intended to represent the situation as existing during a period of some years.

THE SPECIAL TRADE CENTRES OF GERMANY

BERLIN (1,700,000), the capital of the empire, is a chief seat of machinery manufacture. For many years FRANKfort-on-the-Main enjoyed the pre-eminence of being next to London the greatest money market in the world; but since the establishment of the German Empire Frankfort's financial business has been absorbed by Berlin. LEIPZIG (400,000) has the distinction of being the seat of a book-publishing trade that turns out over 60,000,000 volumes in a year, amounting in value to $30,000,000. Leipzig has also the honour of being the greatest fur market in the world. DANTZIG (120,000) is Germany's chief port on the Baltic, and the chief seat of its great export trade in timber, grain, flax, hemp, and potatoes. Its harbour, however, is closed in winter because of ice. DRESDEN (330,000) is noted for its porcelain manufacture, but the porcelain is not manufactured chiefly in Dresden, but in MEISSEN, fifteen miles from Dresden. MUNICH (407,000) manufactures largely the national beverage, beer. Finally, NUREMBERG (162,000), in southern Germany, is remarkable for its continuance into modern days of manufactures for centuries carried on domestically. Of these the most noted are watches, clocks, pencils, and toys.

IV. TRADE FEATURES OF SPAIN AND ITALY

ITALY, TURKEY, AND SPAIN, THE THREE DECADENT NATIONS OF EUROPE

The Mediterranean from the very earliest epochs of civilisation has been a chief highway of trade, and

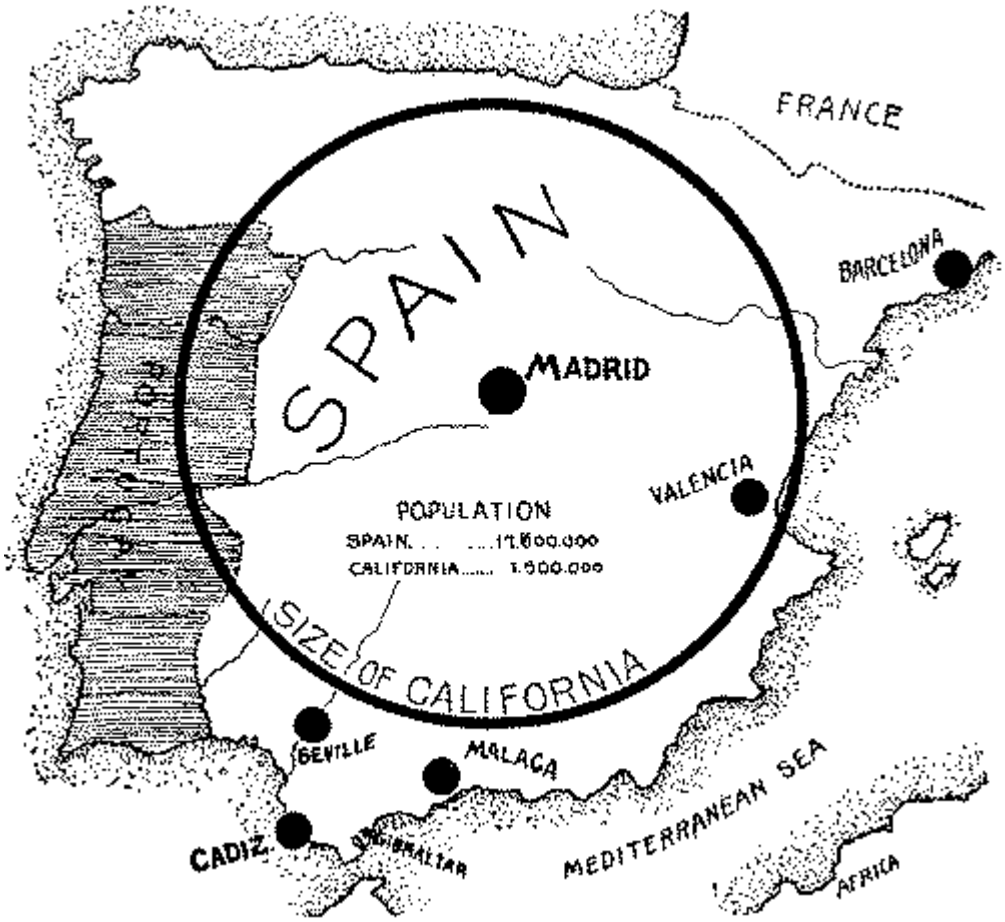
along its shores every sort of commercial activity has been prosecuted. For centuries and centuries the nations upon the borders, especially those upon its northern borders, were the leading nations of the world, and their empire, indeed, comprised the empire of the world. But during the last two or three centuries, and especially during the nineteenth century, commercial pre-eminence and pre-eminence in empire have departed from the Mediterranean. Italy, the ruler of the whole ancient world, and even in modern times a ruler of almost equal potency; Turkey, during the middle ages a chief power both in Europe and in Asia; Spain, for two centuries at the beginning of our modern epoch a chief power in Europe and the mistress of almost the whole Western world as well,—these countries have all sunk to positions of comparative insignificance, and Italy alone shows signs of effectual regeneration. And yet on the whole earth's surface there are no lands more richly endowed by nature as abodes for man than Italy, Turkey, and Spain.

SPAIN: ITS TRADE AND ITS SPECIAL TRADE CENTRES

Spain, because of the varied climate of her several parts, is capable of producing almost all the edible fruits and grains known to both temperate and tropical regions. Though there are some desert areas, a great portion of the soil is abundantly productive, and were agriculture pursued with the same skill as it is in other countries—in England and Scotland, for example—Spain would be one of the richest agricultural regions on the globe. But not only is agriculture very inefficiently pursued, but the country is also sparsely inhabited (only 90 to the square mile, as compared with 270 to the square

mile in Italy) and only one fourth of it is cultivated. As a consequence only those products are raised in Spain in which, because of her advantages of climate, etc., she has least competition. The principal commercial agricultural product is WINE, the vine being cultivated in every province in the kingdom. Six hundred million gallons of wine are raised annually, which is more in value than the total quantity of grain raised. Only one fifth of this, however, is exported (principally to France), and even of this the greater portion is wine of inferior grade, used for mixing. The remaining agricultural products of Spain exported are chiefly oranges, lemons, grapes, raisins, nuts, olives, and onions. Of these over $15,000,000 worth go to England annually. England and France, indeed, enjoy the great bulk of Spain's foreign trade, but of late years Germany and the United States are taking a small share of it. The MINERAL WEALTH of Spain is enormous, and as the mines are often controlled by foreign capital they are worked with energy. The iron ore of the Basque provinces of the north and the copper ore of the district about Cadiz have been renowned for ages. Thirty-five million dollars' worth of copper, iron, lead, silver, and quicksilver are exported to Great Britain annually. There are manufactures of cottons, woollens, linens, and silks, but none of these can be said to be very prosperous, although during the last twenty-five years, owing to a high protective tariff, the quantity of raw material used in textile manufacture in Spain has doubled. Spain produces excellent wool, but her woollen manufacture is unable to use it all and one fourth is exported. Similarly, although Spain is especially rich in iron-fields, she gets about one third of the hardware she needs for her own consumption from England. The total area of Spain's COAL-FIELDS is estimated at 5500 miles, but hitherto little coal has been mined, partly because it is somewhat inaccessible. Four million dollars' worth of coal is

annually imported from England. Whole mountains of ROCK SALT exist, but little is mined and none is exported, although bay salt obtained in the south is exported to the fishermen of Cornwall. Another important export is ESPARTO GRASS, which is sent to England to be used in paper-making. And still another is CORK, although Portugal, which adjoins Spain, is the chief seat of the cork-producing industry. MADRID (470,000) is the capital and largest city. BARCELONA (250,000) is the chief seaport of Spain and the chief manufacturing centre. VALENCIA (145,000), in the southeast, and SEVILLE (135,000) and MALAGA (115,000), in the south, are the principal seats of the fruit export trade of the country. CADIZ (65,000), Spain's principal naval seaport, has a famous export trade in sherry wines. The total population of Spain is 17,500,000.



Spain compared in size with California.

ITALY'S LAMENTABLE CONDITION

Italy's condition is in some respects better than that of Spain, but in others worse. Its population is 30,500,000, being three times more to the square mile than that of Spain, and fifty per cent. more to the square mile than that of France. Since 1830 the population has increased forty-five per cent., and this notwithstanding the fact that the loss by emigration is equal to one half of the natural increase from the surplus of births over deaths. Two million people of Italian birth are to-day residing in foreign countries. Again, the Italians, except those

in the southern parts (the Italians of Naples and vicinity, for example), are the MOST INDUSTRIOUS PEOPLE in Europe, with a special aptitude for gardening and tillage. In fifty years they have reclaimed 20,000,000 acres from forest, and increased the area of land under cultivation by one hundred per cent. In fifty years, too, they have trebled the amount of capital invested in agriculture. Since 1860 they have increased the amount of material which they use in their textile manufactures (cotton, wool, silk, and linen) nearly fivefold. Since 1850 they have increased their external commerce two and one half times. Finally, since 1830, they have increased their internal trade two and one quarter times. But all these signs of prosperity in Italy are negatived by the constantly increasing magnitude of her NATIONAL DEBT. This now amounts to more than $2,500,000,000, or more than two and one half times the total net national debt of the United States, and about one fourth more than the total national, state, county, municipal, and school-district debts of the United States. And this vast debt for a people of 30,500,000 is exclusive of the provincial and communal debts, which amount to $275,000,000 additional. Italy since her reorganisation as a kingdom in 1870 has set out to be a first-class military and naval power, and the cost is more than she can stand. She has a permanent army of nearly 800,000 men, 250,000 of whom she keeps under arms constantly. She has a fleet of seventeen battleships, two coast-defence ships, eighteen cruisers, and 272 torpedo craft, most of these being of modern type and first-class rating. She spends on her army nearly $50,000,000 annually, and on her navy nearly $20,000,000 annually. This, with an annual interest payment of $115,000,000, all unproductive expenditure, makes a demand upon her revenue that is draining her people of their life's blood. EVERY SORT OF TAXATION is resorted to—direct and indirect; land, house, and

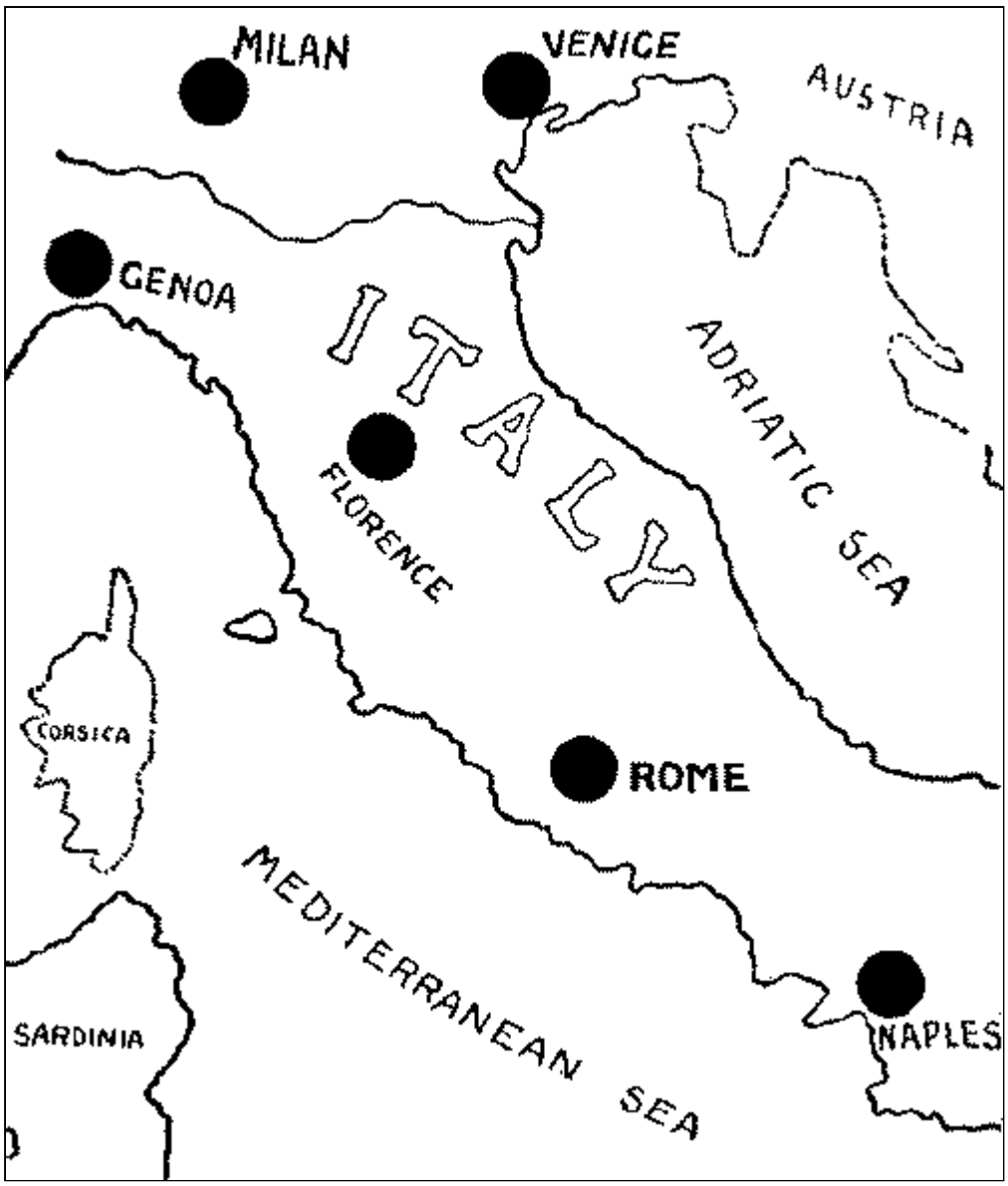
income; succession duties, registration charges, and stamps for commercial papers; customs, excise and octroi; besides government monopolies; and all this exclusive of communal taxation. And yet since 1891 there has been an annual deficit of national revenue under national expenditure averaging $2,250,000. As a consequence of these taxes, and of the repressive effect they have upon industrial enterprise, the net earnings of the country per inhabitant are lower in Italy than in any other European state except Turkey, Russia, and Greece—lower, even, than in the Danubian states and Portugal and Spain.

ITALY'S TRADE AND SPECIAL TRADE CENTRES

The most distinctive natural product of Italy is SILK, and the amount of raw and thrown silk exported is about $57,500,000 annually. Silk culture is carried on all over the kingdom, though the industry flourishes most extensively in Piedmont and Lombardy, in the north. Over 550,000 people are engaged in rearing silkworms, and the annual cocoon harvest approximates 100,000,000 pounds. Silk-"throwing," or-spinning, is the principal manufacturing industry, and the amount of silk spun and exported is about 45,000 tons, most of which goes to France. After silk the products of the country that constitute the principal exports are OLIVE OIL, FRUIT (oranges, lemons, grapes, almonds, figs, dates, and pistachio nuts), and WINE (in casks). The olive-oil export and the fruit export are each about a fifth of the export of silk, and the wine export about a sixth. Other important and characteristic exports are raw hemp and flax, sulphur, eggs, manufactured coral, woods and roots used for dyeing and tanning, rice, marble, and

straw-plaiting. The principal import is WHEAT, for agriculture, though generally pursued, is still in a backward state of efficiency, and the average grain crop is only one third what it is in Great Britain. One eighth the total amount of wheat needed to support the people has to be imported. In fact, the total amount of food-stuffs raised in the kingdom is much less than the amount required, being, for example, per inhabitant, not more than one half of what is raised in France. In particular, there is a deficiency of meat, and the amount of meat raised per inhabitant is the lowest in Europe. As a consequence the Italians are poorly fed, and it is estimated that four per cent. of the annual death loss is occasioned by impoverishment of blood due to insufficiency of wholesome food. After wheat and raw cotton, the next principal import is COAL, for Italy has no workable coal-fields. As far as possible water power is used as a motive power instead of coal, especially in the iron industries. An important import also is FISH, for, owing to the great number of fast days which the Italian people observe, and to the dearness and scarcity of meat, fish is a very general article of consumption. Six million dollars' worth is imported annually, and perhaps an equal amount is obtained from local fisheries, for there are over 22,000 vessels and boats and over 70,000 men engaged in this industry. After silk-throwing, the most characteristic Italian manufacturing industries are those which are of an artistic or semi-artistic nature, such as the making of fine earthenware, porcelain, glassware, mosaics, and lace. VENICE (154,000) and GENOA (225,000) are still the principal seaports and trade centres of Italy, but in commercial importance these famous cities are only the mere shadows of what they once were. NAPLES (529,000), the largest city, is a place of little enterprise, for its imports, principally cereals, are three or four times the value of its exports, which are mainly cheap country produce. MILAN (457,000)

and TURIN (348,000) are the great trade centres of the north interior, and the most prosperous places in the kingdom, being the chief seats of the silk-throwing industry. Milan is also the chief seat of the Italian cutlery manufacture. PALERMO (284,000) and MESSINA (150,000), in Sicily, are the chief ports for the export of Italian fruits, and also of Italian fish (anchovies, tunnies, etc.). ROME (474,000) and FLORENCE (207,000) owe their chief importance to their art interest and to their historic associations, but Florence has an important manufacture of fine earthenware and mosaics. Rome is the chief seat of government. CATANIA (127,000), in Sicily, is the chief seat of the Italian sulphur export trade. LEGHORN (104,000), the port of Florence, is the chief seat of the export straw-plaiting trade. It should be noted that notwithstanding Italy's extent of coast-line a large part of her foreign commerce is transacted northward by means of the railways that tunnel the Alps.

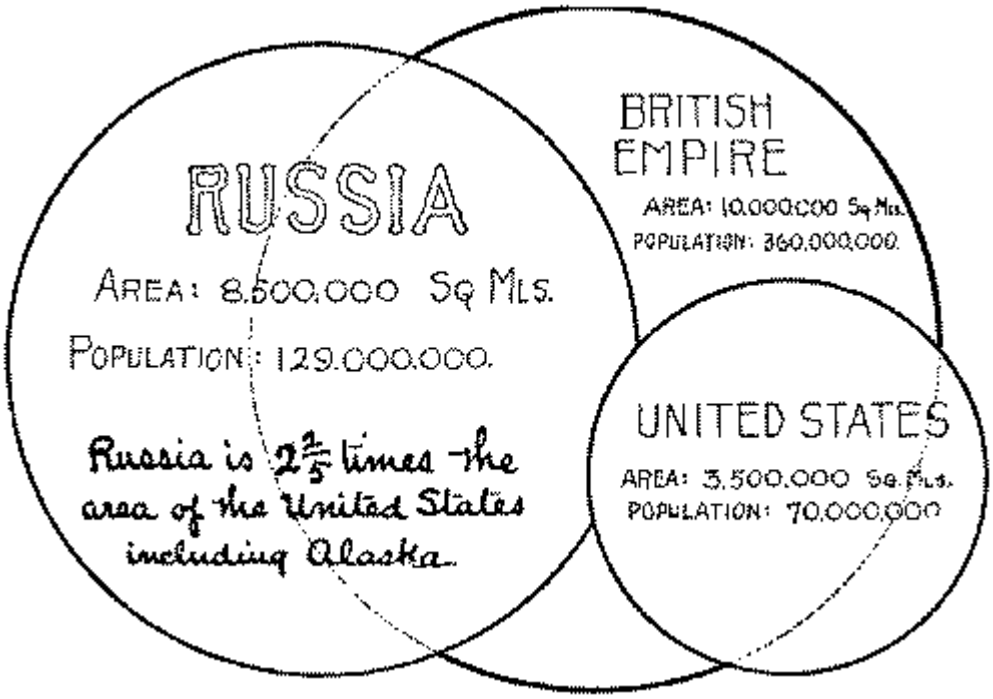


Italy and its chief commercial centres.

V. THE TRADE FEATURES OF RUSSIA

RUSSIA, A COUNTRY WHOSE FUTURE IS A PROBLEM

The position of Russia in the world is a sort of problem. Its area is immense. More than one seventh of the land surface of the globe is included within its compact borders. Of this vast territory the area of European Russia alone is only a fourth; but even so it is larger than the area of all other European states put together. The population of Russia is over 129,000,000, of which over 106,000,000 belong to European Russia. But taking even European Russia this is a population of only fifty-four to the square mile, the lowest proportion in Europe, except in Sweden and Norway. And the population is increasing. The birth rate is the highest in the world. And though the death rate is very heavy, being fifty per cent. more than it is in England, the increase from births is so great that the population doubles in forty-six years. There is thus apparently a prospect that Russia will, in the near future, play an important part in the drama of nations, her capacities and capabilities for growth seem so prodigious. And yet there is a reverse side to the picture. Of the 106,000,000 inhabitants of European Russia 10,000,000 belong to a cultured, progressive class, quite the equal of any people in Europe. But the remainder are principally a low grade of peasantry, not long removed from slavery. The principal occupation of these peasantry is farming. But their farms are small, not more than ten acres apiece, and the total revenue they get from them does not average more than $65 a year per farm. The food of these peasantry is the poorest in Europe. In the main it consists of rye bread and mushroom soup, worth about four cents a day. The houses are often mere huts, not more than five feet square. Women as well as men work in the fields, and yet the total amount of food raised is not more per head of population than one tenth of what is raised by the peasantry of France. The value of food raised per acre, too, is but little more than one third of the average per acre for all Europe.



Russia, the British Empire, the United States compared.

RUSSIA A COUNTRY OF SOCIAL EXTREMES

The degradation of the peasantry of Russia is not simply material. It is also moral. In the language of a recent traveller, "they are the drunkenest people in Europe." The principal intoxicant is a sort of whisky called "vodka." With drunkenness exist also dirtiness, idleness, dishonesty, and untruthfulness. And as yet little has been done to ameliorate this degradation. Ignorance prevails everywhere. Even of the young people of the peasant class more than eighty per cent. can neither read nor write. There is no middle class. The gulf between the upper class and the lower is so wide as to be absolutely impassable. And for the most part the upper class is quite content to have this state of affairs continue.

THE "ARTELS" OF THE RUSSIAN PEASANTS

There is, however, some hope for the lower classes of Russia. This is because of the prevalence among them, especially in villages, towns, and cities, of a communal custom in which self-restraint and self-government are necessary conditions of existence. In every branch of common industry "artels" are found; that is, communistic organisations, where all labour for a common purse in accordance with rules and regulations determined by the members of the organisations. These "artels" have done much toward increasing the industry, the honesty, the truthfulness, the thrift, and also the sobriety of their members. They exist throughout all Russia, but in some parts more prevalently than in others. As yet, however, they scarcely affect the character and condition of the rural peasantry, and it is these who are most in need of elevation. It should be said, too, that the government is doing something to lessen the evil of drunkenness.

RUSSIA PRINCIPALLY AN AGRICULTURAL COUNTRY

Russia's principal business is AGRICULTURE. More than one half her whole internal trade is agricultural. Her agricultural products are one and one half times greater than the products of her manufactures and ten times greater than her mining products or her imports. And though her production of grain per acre is the lowest in all Europe except Italy, Spain, and Portugal, and her total production of all food products per acre by far the lowest in Europe (not more than one third that of Spain, which is next lowest), yet she manages to export a larger quantity

of GRAIN than any other country in Europe, France only sometimes excepted. Russia's export of grain for some years past has averaged 266,000,000 bushels a year. Her export of WHEAT alone has averaged 94,000,000 bushels a year, or considerably more than a fifth of the total wheat export of the world. The explanation of this enormous export of wheat from so poor a country is that three fourths of the people live on rye. Among the peasants wheat bread is practically unknown, and nothing could be more pathetic than the hard rye lumps which passed as bread during the last famine. Other agricultural exports (besides grain) are flax, hemp, oil-seed cake, linseed and grass seed, butter, eggs, wool, hides, and hogs' bristles. Wood, lumber, and timber are also extensively exported. England is Russia's best customer. The amount of England's annual importation of the above products (including grain) exceeds $112,000,000.

RUSSIA'S MINERAL WEALTH

In MINERALS Russia is enormously wealthy, but the mining lands are not diffused throughout the empire but confined to definite areas. Nor can they be said to be energetically worked. The great gold-fields of the Ural mountains would not pay expenses as worked at present were they not supplied with convict labour. Owing to the heavy import duty which is imposed on pig-iron nearly all the iron now needed for the IRON manufactures of the empire is obtained at home, but this amounts to only 46 pounds per inhabitant, as against 810 pounds per inhabitant used in Britain. COAL is very abundant, especially in the valley of the Donetz, but fire-wood is so plentiful for domestic purposes, and water power so plentiful for heavy manufactures, that the amount of coal mined in all Russia is only one

twelfth that mined in Germany, and only one twenty-fourth that mined in Britain. Over 2,250,000 tons of coal are imported despite very heavy protective duties. There is one mineral product, however, in which Russia excels all other European countries. This is PETROLEUM. The oil-springs on the Caspian Sea produce an annual yield of crude petroleum of an average value of $15,000,000. The value of the petroleum and petroleum products exported in 1896 was over $22,000,000.

RUSSIA'S TRADE AND MANUFACTURES

Despite Russia's resources in farm products and in minerals, yet, owing to the ignorance and degradation of her people, she is a poor country, and her exports are always more than her imports. Her total wealth per inhabitant is only $305, as against $780 per inhabitant for Germany, $1260 for France, and $1510 for Great Britain and Ireland. Her total foreign trade is only $5 per inhabitant, whereas the foreign trade of her neighbour, Germany, is $35 per inhabitant. Her total internal trade is only $50 per inhabitant, whereas even in Greece the internal trade is $65 per inhabitant, while in Germany it is $130 per inhabitant, and in the United States $215 per inhabitant. The reason of all this is the lack of energy and industry in the people. Their earnings per inhabitant average only 12 cents a day. Another reason is the lack of modern labour-saving devices. Comparing inhabitant with inhabitant, Russia has only one sixth of the steam power which Germany has. One half of all the manufactures of the country are produced domestically—that is, without motive power or machinery. No industry in Russia is fully up to the needs of the people when judged by the standards of other countries. For example, notwithstanding the severity of the climate, only

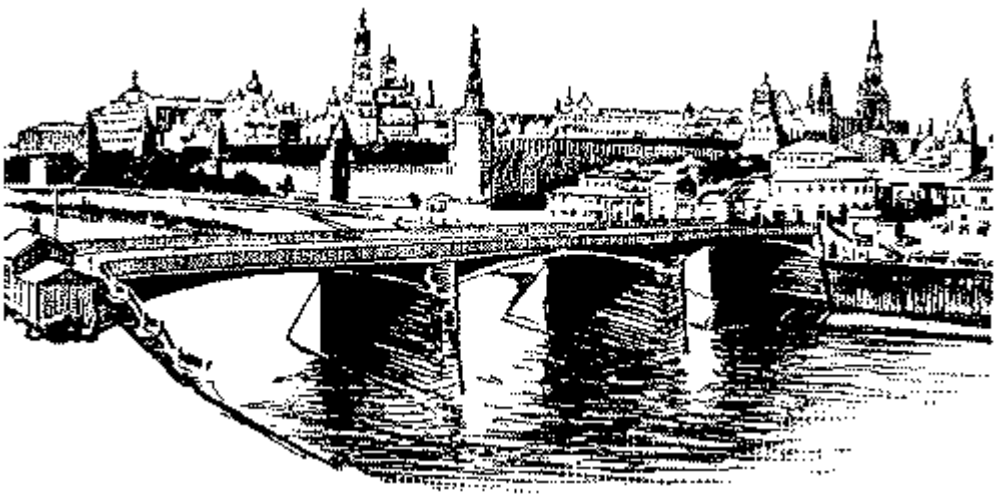
two pounds of raw wool per inhabitant are consumed in Russia's woollen manufactures, as against seven pounds consumed in Germany, and the total annual value of all manufactures is only $20 per inhabitant, as against $56 in Germany, and $88 in Britain. Notwithstanding these unfavourable comparisons, the factory industries of Russia are making progress. In seventy years the textile factories have increased fivefold and in thirty years twofold. In sixty years the cotton-manufacturing industry has increased sevenfold, and in fifteen years twofold. Until recently Russia exported wool. Now she imports more wool than she exports. Ninety years ago in Russia iron was dearer than bread, and the peasants used wooden plough-shares and left their horses unshod. Now the consumption of hardware, though still per inhabitant the smallest in Europe, is yet in the aggregate the fourth in Europe, although even so it is only two ninths what it is in Britain. Beet-root sugar-making is also a new industry, and 500,000 tons are made annually, the number of sugar works being 235. The beet-root crop of the country amounts to nearly 6,000,000 tons annually. But the consumption of sugar per inhabitant is only seven pounds annually, as against eighteen pounds per inhabitant in Germany. A universal industry throughout Russia is TANNING, and Russia leather, with its fragrant birch-oil odour, is a highly prized commodity the world over. But the amount manufactured is only 114,000 tons yearly, and the quantity exported is inconsiderable.

RUSSIA'S RAILWAYS AND NAVIGABLE RIVERS

The most characteristic physical feature of European Russia is its *flatness*. In consequence its rivers are almost all navigable, and, as the most

important of them are interconnected by canals, the facilities for transportation which they afford are very considerable. Altogether the length of inland navigation thus afforded amounts to nearly 47,000 miles. This abundance of navigation facilities has retarded the growth of railways, but there are already 25,756 miles of finished railway in European Russia alone. The total length of railway in all Russia built and in building is 34,849 miles. The most important railway enterprise in the empire is the Trans-Siberian Railway, which will afford through communication from the Baltic to the Pacific. The shortest possible distance between these two bodies of water is 4500 miles. The length of the railway will be 4950 miles, and its cost, it is supposed, will be $120,000,000. It is to be completed by 1905.

RUSSIA'S CITIES AND TOWNS



Moscow.

St. Petersburg (with suburbs 1,267,000), the capital of Russia, is, like most European capitals, an important trade centre as well as the seat of government. Its manufactures are general and numerous, but the chief ones are those concerned in making munitions of war. Until 1885 St. Petersburg was not a seaport, but in that year a canal was built which now permits vessels drawing twenty-two feet of water to enter its docks. Its harbour, however, is closed with ice from November to May. Near St. Petersburg is Reval, the chief cotton port of Russia. The raw cotton importation of Russia averages about $60,000,000 annually, most of which comes direct from the United States. Moscow (988,000), the ancient capital of Russia, is also a great manufacturing city, but its principal importance is derived from the fact that it is the great centre of the internal trade of Russia. Warsaw (615,000), the capital of Polish Russia, is a great railway centre, and the principal entrepôt of railway traffic between Russia and the rest of Europe. Lódz (315,000), also in Polish Russia, is the great cotton-manufacturing centre of the empire. Odessa (405,000) is the chief seaport of Russia. It has an immense export trade in grain, tallow, iron, linseed, wood, hides, cordage, sailcloth, tar, and beef. Riga (283,000), the chief port of Russia on the Baltic, has a large export trade with England in characteristic Russian produce. Kieff (249,000) is the centre of the Russian sugar-refining industry. Astrakhan (113,000), on the Volga delta, is noted for its sturgeon fisheries, and its export of caviare, amounting, it is said, to $1,500,000 yearly. Tula (111,000) is the Sheffield of Russia. Even in 1828 there were 600 cutlery establishments in Tula, but the manufacture was then principally domestic. It is now a city of factories, for it stands on a large coal and iron field. Nijni-Novgorod (99,000) is noted for its fair, an Asiatic institution which modern civilisation will no doubt soon disestablish. Once a year merchants to

the number of 200,000 come to Nijni-Novgorod from all over Russia, and even from India and China, to exchange their wares. The value of the exchange sometimes amounts to $100,000,000. Orenburg (73,000), on the Ural, is the terminal depot of the caravan trade of Asiatic Russia. Archangel (25,000), on the White Sea, is the chief emporium of trade in the north, with exports of characteristic northern produce. Baku, on the Caspian Sea, is the chief seat of the petroleum industry of Russia. All the towns and cities above named have grown enormously during the last twenty years.

VI. THE TRADE FEATURES OF INDIA

INDIA'S PAST AND PRESENT COMPARED

To the student of civilisation India is one of the most interesting countries in the world. It has always been one of the most fertile and populous regions of the globe. For centuries it was thought to be one of the richest. In consequence it has, time and time again, been the scene of invasion, conquest, and spoliation. But its riches never consisted so much in natural treasure as in the savings of an industrious and frugal people. Since the year 1600 European nations have had much to do with India, especially England, France, Portugal, and Holland. During the last 140 years, however, England has been the dominant power there. Whatever may be said as to the motive of England's interference in India's affairs in the first place, it can only be said that the present influence of England in India is immensely beneficial to the country. India's

prosperity on the whole is now comparable with that of any civilised nation on the globe. And a people that once, because of repeated conquest and spoliation, had lost all sense of honour and self-respect, are now, under the benign influence of peace, law, order, and security, rapidly becoming honourable, self-reliant, and enterprising, and ambitious to possess all the rights and privileges of modern civilisation.

INDIA'S SIZE AND POPULATION

India is a much larger and more populous country than most people think it to be. In shape it is somewhat like a huge kite, each of whose diameters is over 2000 miles long, or more than the distance across the Atlantic from Ireland to Newfoundland. Its TERRITORY is about 1,700,000 square miles. Of this area, over 1,000,000 square miles, a territory considerably greater than the territory of all the states of Europe (including the British Isles) except Russia, is directly under British control. The remainder is indirectly under British control. The POPULATION is 308,000,000, of which 236,000,000 are directly under British control and 72,000,000 indirectly so. This population is made up of people who speak seventy-eight different languages, of which twenty languages are spoken by not less than 1,000,000 persons each.

INDIA'S GREAT FERTILITY

India owes much of its fertility to the fact that its soil is constantly being replenished by alluvium brought down from its high mountains by its

immense rivers. The valleys of the Indus (1800 miles long), the Ganges (1600 miles long), and the Brahmapootra (1500 miles long) include an area of 1,125,000 square miles, a part of which, the Indus-Ganges plain, consists of a great stretch of alluvial soil whose fertility is as rich as that of any portion of the globe. One hundred and eighty millions of people live in this plain. So finely pulverised is its soil that for a distance of almost 2000 miles not even a pebble can be found in it. And so fertile is it that there are some agricultural districts in the plain where the population exceeds 900 to the square mile. In that part of the plain which the Ganges waters, 60,000,000 of people find support on the soil by agriculture, at a density of over 700 persons to the square mile, which is 140 persons more to the square mile than the density of Belgium, the most thickly populated country in Europe.

INDIA'S IRRIGATION CANALS AND RIVER EMBANKMENTS

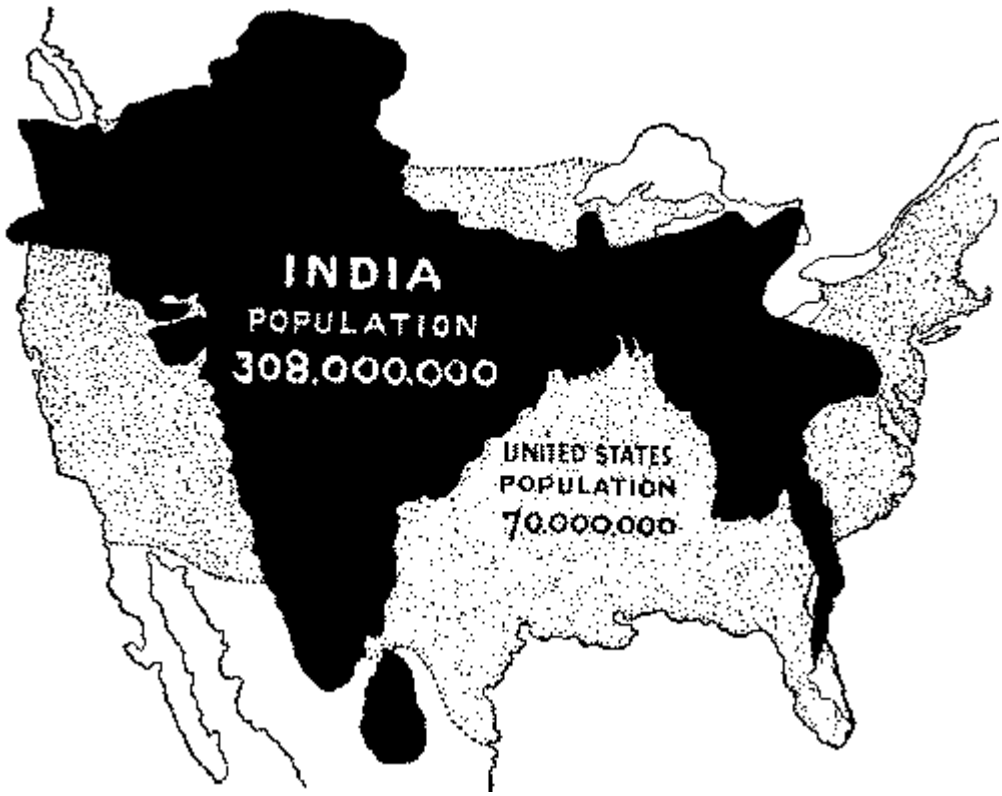
But, fertile as is the soil of India, and propitious to agricultural industry as is its climate generally, its climate is not always favourable. It suffers periodically from excess of drought. As a consequence artificial irrigation has to be resorted to, or much of this fertile country would oftentimes be a desert. In British India alone 28,000 miles of irrigation canals are under the control of the government, 14,000 of which have been constructed by the present (British) government—works of vast dimensions and the highest engineering skill. Altogether 28,000,000 acres in British India are dependent for their necessary supply of moisture upon general irrigation, and 8,000,000 upon irrigation canals. Were it not for these irrigation canals, 2,000,000 acres in Scinde (northwestern

India) would be a perpetual desert, for Scinde is almost wholly rainless. On the other hand, in a great part of India the rainfall is excessive. Some districts indeed are the wettest on the globe. In Assam, for example (which is also one of the hottest places in India), the rainfall is 600 inches yearly, and it has been 650. As a consequence rivers in India often overflow their banks. Therefore to protect the country on the lower river reaches from floods the British government has built over 1500 miles of embankments.

INDIA'S MINERAL RESOURCES

At one time India was famed for its wealth in precious minerals and precious stones. Poets often celebrated its golden resources. But its wealth in this respect was always fabulous rather than real. India is in reality poor in minerals. It has a good deal of iron—iron of the choicest quality. It has also a good deal of coal, but its coal is poor, owing to its superabundance of ash. It has also a little copper and tin. It has gold-mines that are worked. Diamonds, too, are found in southern India, and numerously so. The celebrated Koh-i-nur (280 carats) was an Indian product. But neither diamond-hunting nor gold-mining is any longer a profitable industry in India. The principal mineral industry of India is salt-mining, pursued in the Punjaub, where there are solid cliffs of pure salt. Owing to the fact that the people of India are mostly vegetarians (250,000,000 of Hindoos would rather die than eat flesh), salt is a necessary article of diet and a universal commodity. Its production, therefore, is controlled by the government as a means of raising revenue.

INDIA'S WONDERFUL AGRICULTURAL RESOURCES



Comparative sizes of India and the United States.

The real wealth of India lies in the luxuriance and economic value of its VEGETATION. As a consequence the principal industry is AGRICULTURE. Only one tenth of the people live in towns. Two thirds of the adult males in the country are engaged wholly in tilling the soil. Every sort of agricultural product known to commerce is raised in India; for from the high levels on the mountain sides to the low levels on the coasts the vegetation of the whole world is produced within its borders. Even in WHEAT India competes in the world's markets with countries like Russia and Argentina. In 1896 British India had 19,000,000 acres of wheat under cultivation, and (though a dearth year) an

exportation of $4,000,000. In 1892 the exportation was $25,000,000. The district known as the Central Provinces of India has become one of the most important wheat areas in the world. But the principal agricultural product of India is RICE. British India alone has 70,000,000 acres of rice under cultivation, and an annual exportation of $60,000,000. In all the coast regions rice is grown universally, and also in the lower parts of the river plains, especially in the Ganges valley. It is the staple food of the people everywhere except on the higher levels. On the higher levels millet and maize (corn) are the staple foods. The next important agricultural product of India is COTTON, of which $47,000,000 worth in the raw state is exported annually, besides what is used at home. The American civil war was the great cause of the starting of the cotton-growing industry in India. The next important agricultural product is JUTE, of which the export in the raw state is about $35,000,000. No country in the world can compete with India in the production of this fibre, for jute is very exhaustive of the soil, and in the Ganges valley, where it is principally raised, the soil is annually replenished by alluvium. A fifth great agricultural product is TEA, in which India now leads the world. England uses twice as much India tea as China tea, the reason being that India teas are produced with all the economic care of a high-class English or American manufactured product. The value of the tea export of India is about $27,000,000. Other chief agricultural products are OPIUM (which is a government monopoly), oil seeds, hides, and skins, INDIGO (in which India excels the world, the value of the export being $14,000,000), COFFEE (the best grown anywhere—except perhaps that of Arabia and Java—though the bean is sometimes injured in transit), raw wool, lac (for dyeing), cinchona or Peruvian bark (which since it has been raised in India, has greatly reduced the price of quinine), raw

silk, raw sugar, tobacco, and spices. Spices are produced abundantly in India, but their quality is not equal to East Indian spices. Also the cotton, rice, sugar, and tobacco of India, though produced plentifully, are inferior in quality to those of the United States. Nor are the wheat and corn of India so good as the wheat and corn of the United States and Canada. Improved cultivation will, however, in time improve the quality of all these products. Of exports of natural products not agricultural the principal are WOOD (chiefly TEAK, the most valuable timber known for ship-building, and sal, a most valuable wood for carpentry) and saltpetre.

INDIA'S GROWING MANUFACTURES

Though India is now chiefly an agricultural country her people from time immemorial have been adepts in manufacturing. The domestic textile manufactures and the domestic metal manufactures of India were for ages among the most beautiful and ingenious in the world. These DOMESTIC MANUFACTURES are principally pursued in small villages, of which there are over half a million in India. But under the influences of modern civilisation introduced by British rule, the domestic industries of the country are now giving way to FACTORY INDUSTRIES. These have already become well established, and are rapidly increasing in number and importance. The stability of India as a nation is now so well assured that capital can be had there as cheaply as in England or the United States. Besides, co-operative or joint-stock enterprises are becoming common. The Indian people, with their natural aptitude for weaving, make the best of textile operatives, and India bids fair soon to become a formidable rival of Western nations in TEXTILE MANUFACTURES. In twenty years the cotton

spindles have increased sixfold. In ten years the COTTON OUTPUT has increased twofold. Bombay has become one of the greatest cotton centres in the world, a sort of Liverpool and Manchester combined. It has practically shut the doors of India to English manufactured cottons of the cheaper grades. Bombay manufactured cotton is even sent to England in immense quantities, but the principal export is to China. The total export of Indian manufactured cotton is $23,000,000. Another important modern manufacture is that of JUTE. The jute factories of Bengal are now competing with those of Scotland, and the total export is $17,500,000. A similar development is expected in iron manufactures, for already iron-smelting has begun. But, notwithstanding these developments, India still remains a tremendous market for the manufactured goods of England, especially in cottons and hardware and machinery. The value of the annual cotton importation from England is $100,000,000, equal to the total of England's exportation of goods of every sort to the United States. The value of the annual hardware and machinery importation from England is $35,000,000.

INDIA'S EXTERNAL AND INTERNAL TRADE

The total yearly value of the EXPORTS of India amounts to the enormous sum of $350,000,000, more than a third of the total exportation of the United States for the banner year 1897.[2] Of this England receives about one half. The total yearly value of the IMPORTS of India (exclusive of bullion) amounts to $255,000,000, which is considerably more than a third of the total importation of the United States. Of this England sends out about two

thirds. (India is therefore England's best customer, although from the United States England purchases vastly more.) Of the internal trade of India no statistics are available, but with the rapid advances in modern conveniences for doing business which the country is adopting, the internal trade is also enormously increasing. Already 20,290 miles of railway are built and opened, and 13,000 miles of canals and canalised river navigation. Railways are rapidly being constructed in every part of the country. Over 31,000 miles of metalled roads for highways and 106,000 of unmetalled roads are now maintained by the government as public works. There are 38,000 miles of telegraph routes. The government highways and canals as well as the railways are all splendidly engineered and solidly built works. The greatness of India is only just beginning.

FOOTNOTE:

[2]The total exports of the United States for the years 1898 and 1899 have exceeded $1,200,000,000, each year. In the year 1897 they were about $1,050,000,000.

INDIA'S CITIES AND TOWNS

CALCUTTA (862,000) is the capital of the empire of India and the second city in the British Empire. Although situated on an arm of the delta of the Ganges, eighty miles inland, Calcutta is an immense seaport, but its sea-going privileges can be maintained only by great engineering works, because of the silt which the Ganges is constantly

bringing down and depositing in its seaward channels. Calcutta enjoys almost a monopoly of the whole trade of the Ganges and Brahmapootra valleys, and until the building of the Suez Canal it had almost a monopoly of the outward trade of the whole Hindustan peninsula. Its total trade is even yet very large, aggregating for outward and inward business together about $700,000,000 per annum, a sum which can be appreciated from the fact that it is about equal to the total import trade of the whole of the United States. BOMBAY (822,000), the second city of the Indian Empire, owes its eminence to three things: (1) the opening of the Suez Canal, which has made it the port of India nearest England; (2) the starting of the cotton-growing industry in India, owing to the American civil war (the cotton-growing district of India is adjacent to Bombay); and (3) the development of the railway system of India, which is making Bombay rather than Calcutta the natural ocean outlet for the trade of the country. MADRAS (453,000), the third city of India, is also the third seaport. But it has no natural harbour, and its shore is surf-beaten and for months together exposed to the full fury of the northeast monsoons. An artificial harbour, however, has recently been built. Besides the cities above mentioned there is one (HYDERABAD) with a population of over 400,000; there are two (LUCKNOW and BENARES) with a population of over 150,000 each, and eleven more with a population of over 100,000 each. There are besides forty-seven towns with a population more than 50,000 each, and over a thousand towns with a population of about 10,000 each.

VII. THE TRADE FEATURES OF CHINA

THE VASTNESS OF CHINA'S AREA AND POPULATION

China, to the student of commerce, is the most interesting country on the globe. The reason for this is that its area is so large, its population so vast, and its chances for development so magnificent. The total area of the empire, according to late estimates, is 4,218,401 square miles. Other estimates make it 4,468,470 square miles. The greatness of this area may be understood from a few comparisons. It is about one twelfth of the total land surface of the globe. It is two and one fourth times the size of European Russia. It is almost one and one half times the total area of the United States, exclusive of Alaska. But all of this territory is not of equal commercial interest. The Chinese Empire consists of six parts: China Proper, Manchuria, Mongolia, Tibet, Jungaria, and Eastern Turkestan. Because of recent treaties, which give to Russia the right to build and "control" railways in Manchuria—ostensibly for the purpose of securing for the great Russian Trans-Siberian Railway a shorter route to Vladivostok, its Pacific terminus—MANCHURIA becomes practically a RUSSIAN POSSESSION. Turkestan, Jungaria, Tibet, and Mongolia are thinly inhabited countries, scarcely semi-civilised. But the part which remains when these "dependencies" are left out of consideration—CHINA PROPER—is at once one of the largest, most thickly populated, and most fertile countries on the face of the globe, and one also of the most richly endowed in mineral products. Its area is 1,336,841 square miles. Its population is 386,000,000. Its population per square mile is not far short of 300. That is to say, its area is more than eleven times that of Great Britain and Ireland, and almost one half that of the United States, exclusive of Alaska; its population is ten times that of Great Britain and Ireland, and more

than six times that of the United States; while its population per square mile is greater than that of any European or American country except Great Britain (which, however, it nearly equals), Holland, and Belgium. In fact, more than one fourth of the total population of the globe is concentrated within the boundaries of China Proper.

CHINA A COUNTRY OF GREAT TRADE POSSIBILITIES

The great commercial nations of the world are now all trying to get shares of the trade of this VAST AND POPULOUS COUNTRY. For not only is China (Proper) large and populous, but it is also wealthy, for its inhabitants are both industrious and frugal, and, besides, as compared with the people of European countries they have been greatly spared the disastrous commerce-destroying effects of war, both foreign and internecine. Centuries ago the Chinese had made great progress toward civilisation. Their skill in the manufacturing arts, and in agriculture and horticulture, was for ages superior to that of Western nations. But, unfortunately for their advancement, they are conservative, self-conceited, and averse to improvement, especially if they have to learn improvement of others. As yet they have almost wholly ignored the ideas and methods of modern Western civilisation. They have scarcely any railways, but few steamships, almost no steam-power manufactories, and no telephones. The only modern improvement which they have made much use of is the telegraph. Some years ago (in 1876) a European company secured the privilege of building a short railway from Shanghai, but it was scarcely built before the government got fearful of its influence and bought it up and stopped its running. But the Chinese people are not averse to foreign

trade; on the contrary, they are rather fond of it. If only the thing could happen in China that happened in Japan—that is to say, if only the government could fall into the hands of rulers who were open-minded to improvement and inclined to be progressive—the rush that China would make toward civilisation and the adoption of modern trade methods and modern processes of manufacture would be startling.

CHINA'S FOREIGN TRADE

At present the foreign trade of China is largely in the hands of the English. In the year 1896 the foreign export trade of China amounted to $167,000,000. Of this amount $132,500,000 was with Great Britain and her dependencies; $10,000,000 with the United States; something over $8,000,000 with the continent of Europe exclusive of Russia, and less than $2,000,000 with Russia. In the same year the foreign import trade of China was $102,500,000, of which $56,000,000 was with Great Britain and her dependencies; a little over $9,000,000 with the United States; $15,000,000 with the continent of Europe exclusive of Russia, and $12,500,000 with Russia. (The rest of her trade was principally with Japan.) The policy of the government of China has always been to prevent or restrict foreign trade; and even to-day foreign trade can be carried on in only twenty-six Chinese ports —the so-called "TREATY PORTS." The policy of Great Britain has been to secure by treaty as large a privilege of trading with China as possible; then to throw open the privilege to the world, but to follow it up with such commercial activity on her own part as would secure to her the lion's share of the resulting trade. Of the twenty-six ports now by

treaty open to the world for trade, twenty-three have been secured by Great Britain and three by Japan.

CHINA'S EXPORTS, IMPORTS, AND RESOURCES

China's principal exports are TEA and SILK, tea constituting about one third and silk (principally raw silk) fully one half of her total export trade. Other principal exports are sugar, STRAW BRAID (one twentieth of her total exportation), hides, paper, chinaware, and pottery. Her principal imports are OPIUM and COTTON GOODS, opium constituting a fifth, and cotton goods considerably more than a half, of her total import trade. Other principal imports are woollen goods, metal goods and machinery, coal, and kerosene oil. A considerable importation is also made of raw cotton. But if China only had the blessing of an enlightened and progressive government this disposition of exports and imports would not long continue. China's resources of COAL are among the finest and certainly among the largest in the whole world. Her coal-fields, indeed, are estimated to be twenty times as great as those of all Europe combined. Much of this coal, too, is of the purest quality, and much of it very accessible to the miner. And near her coal-fields are vast deposits of some of the richest IRON ORES in the world. Again, a great portion of the soil of China is extremely fertile. There are indeed two regions, one of "RED SOIL" and another, much vaster, of "YELLOW SOIL," that are among the most fertile in the world. It is because of the extent and fertility of the yellow soil of China that "yellow" is the imperial colour, and the emperor called the "yellow lord." The climate, too, of China permits almost the whole range of useful vegetable products to be raised. The growth of COTTON is already very great,

because for seven centuries cotton has been the staple cloth for the clothing of the people. And already it is being manufactured by modern machinery. But both the growth of cotton and its manufacture by modern methods would be enormously increased if only facilities for internal transportation existed, and freedom from unjust taxation could be secured. If, in short, China only had railways and a good and enlightened system of government her progress and prosperity would soon make the Western world envious. But her government is not only stupidly unprogressive, it is also disastrously wasteful. About seventy per cent. of the whole revenue of the country is lost to the public use through the malfeasance of officials. And only about 85 miles of railway have as yet been opened, although it must be said that 200 or 250 miles more are under construction.

POSSIBILITIES OF INCREASED FOREIGN TRADE WITH CHINA

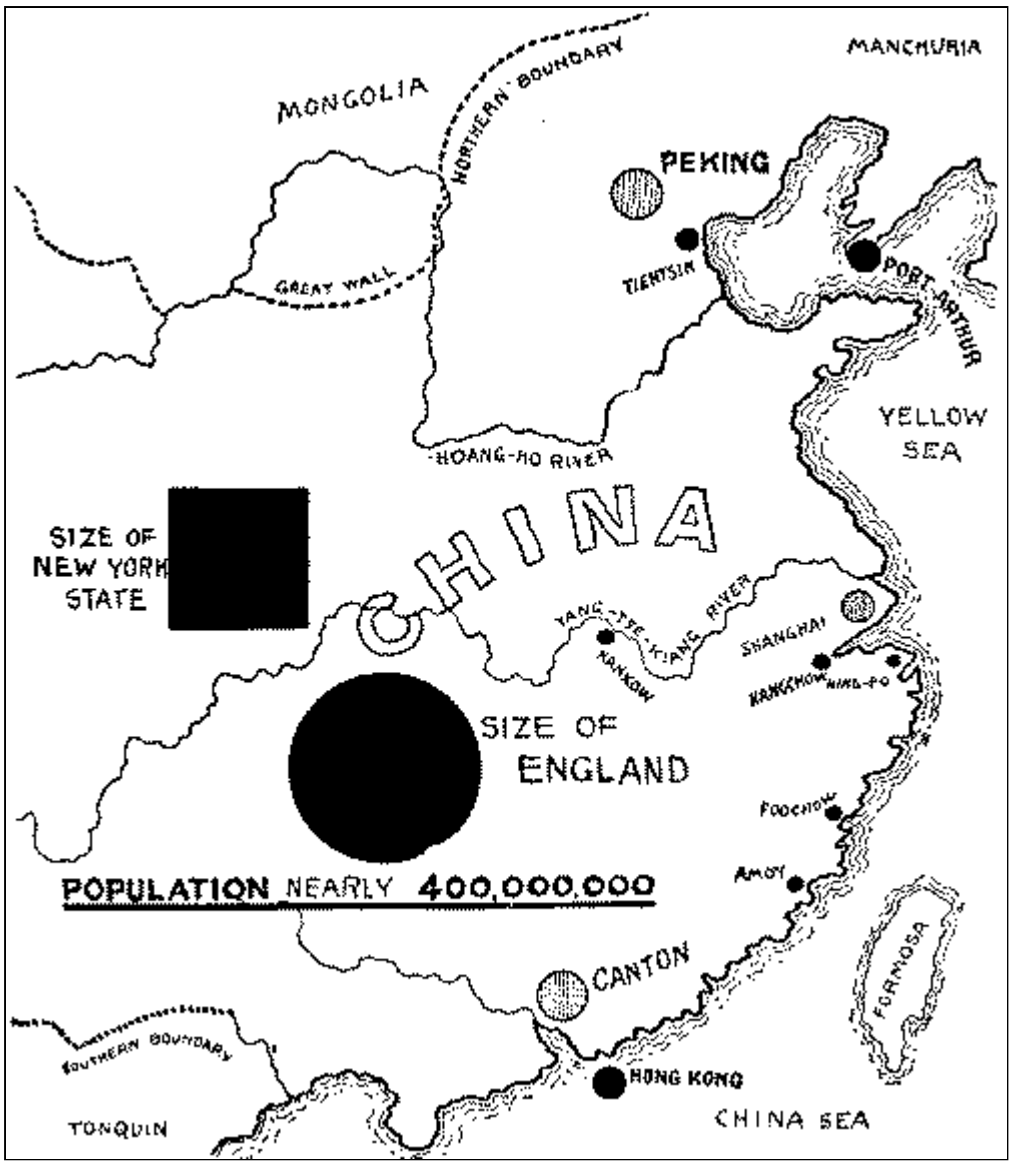
There are, however, even now several ways in which foreign trade with China may be increased. Two of these are the supplying her people with WOOLLEN GOODS, and the supplying them with WHEAT and FLOUR. The winters of a great part of China are so cool that warm garments are necessary. At present these are made principally of padded cotton. Owing to the density of the population pasturage is scarce, and sheep are almost unknown. For an indefinite time, therefore, there will be a demand for woollen goods in China, a demand that will constantly increase as the superior convenience of woollen garments over garments of padded cotton becomes more and more known to the people. And though rice is now the staple food of the people even of all classes, the wealthy classes

are fond of wheat bread and obtain it when possible. But the agriculture of the country does not permit of the profitable growth of wheat and flour, and wheat if used must be imported.

THE PRINCIPAL TRADING CITIES OF CHINA

The cities of China are large and numerous. PEKING (1,500,000?), the capital, is not open to foreign trade. In fact, it has no trade of any sort, and derives its whole importance from being the seat of government. But TIENTSIN (750,000), the port of Peking, and an important "treaty port," has a large trade, both foreign and local. Tientsin and Peking are connected by rail, and since the Russian government has obtained the right of connecting Peking with the Trans-Siberian Railway, it is more than likely that in time Tientsin will become a terminus of that railway. Of "treaty ports" other than Tientsin the principal are Shanghai, Hankow, Foochow, Hangchow, Amoy, and Canton. SHANGHAI (405,000) exceeds all other ports of China put together in the amount of its foreign trade. Its foreign trade is, indeed, almost three fifths of that of the whole empire. And of the total number of foreigners residing in China (in 1896 said to be 10,855, of whom 4362 were British subjects and 1439 Americans) about one half reside in Shanghai. Shanghai is, indeed, the New York of China, and if railways were only built from it (as has been proposed) to the capital, Peking, and up the Yang-tse-kiang to Hankow, and by way of the coast cities to Canton, China would begin a new era in her career. HANKOW (800,000), on the Yang-tse-kiang, about 700 miles from its mouth, is the chief emporium of the tea-producing area of China. Ocean-going steamships ascend the river to Hankow

for their cargoes. FOOCHOW (650,900) also has a great tea export trade. HANGCHOW (700,000), one of the most beautiful cities in China, is also the chief city for the manufacture of silks, and of gold and silver ware, lacquered ware, and fans. AMOY (100,000) has the best harbour in China and an immense import trade, ranking in that respect next after Shanghai. CANTON (2,000,000?) is the largest city in the Chinese Empire. A considerable portion of its inhabitants live in boats. Of these "house-boats" there are said to be 40,000. The foreign trade of Canton is next to that of Shanghai. Once it was superior, now it is much inferior. Its manufactures, however, are still important and include silk, cotton, glass, porcelain, paper, sugar, lacquered ware, and ivory goods and metal goods. NANKING (150,000), once the capital of China and once the largest city in the world, is now comparatively a small city. Although a treaty port, its commerce is not important. It was once famous for its beautiful tower of porcelain, 200 feet high, but that is now destroyed. There are many other large cities in China.



China and its chief trade centres.

HONGKONG

HONGKONG (245,000) is a small island belonging to Great Britain situated in the mouth of the Canton River, seventy-five miles from the city of Canton. Its population is made up principally of Chinese, who have been attracted there by its trade privileges. The British population is only 13,000, even

including the garrison of 2800. Almost the whole population reside in the capital, VICTORIA, for the island itself is a barren rock. Forty-four per cent. of the total foreign trade of China passes through Hongkong. Its harbour is one of the finest in the world. It has magnificent docks. Its port is entirely free, and there is even no custom-house. It is calculated that the foreign trade transacted by its merchants amounts to $100,000,000 a year, exclusive of what passes through its port without breaking bulk. The whole of the vast export trade of China in silk and tea is largely handled by Hongkong firms. Other commodities of which Hongkong is the chief trade centre for China are opium, flour, salt, earthenware, oil, cotton, and cotton goods and woollen goods, which it imports from other countries and exports to China; and sugar, rice, amber, sandal-wood, ivory, and betel, which it imports from China and exports to other countries. Its trade is not confined to Great Britain, but includes France, Germany, the United States, and all other trading nations. But of course Great Britain has the greatest share.

VIII. THE TRADE FEATURES OF JAPAN

JAPAN THE GREAT BRITAIN OF ASIA

Japan consists of a group of islands situated to the east of the continent of Asia, somewhat as the British Isles are situated to the west of the continent of Europe. But the Japan islands are of volcanic origin and are very numerous. There are said to be 4223 of them. However, there are only four that are

of important size, and it is these that are usually thought of when Japan is spoken of. The area of these four islands is 147,655 miles, which is almost a fourth more than that of Great Britain and Ireland. The population (census of 1895) is 42,270,620, which is 4,000,000 more than that of Great Britain and Ireland. The population per square mile is 286, which, though large, is not quite so large as that of Great Britain. If, however, we do not take into consideration the northern island (Yezo), which is still partly inhabited by uncivilised aborigines, the population per square mile is 375, which is considerably in excess of that of both China and Great Britain and Ireland, though still considerably less than that of England alone. The above statistics do not include the island of Formosa (area 13,500 miles, population almost 2,000,000), which was transferred from China to Japan in 1895, at the close of the late Chino-Japanese war.

JAPAN'S WONDERFUL TRANSFORMATION

The significant thing about Japan is the rapidity with which it has become transformed from a semi-civilised nation into one of the great nations of the modern world. Until the year 1868 Japan was an unprogressive, unenlightened country of the usual Asiatic type, scarcely differing in any way from an inland province of China of to-day. In that year a revolution took place which put the whole power of the empire into the hands of the present Mikado, or Emperor. Immediately Japan began to assimilate Western ideas of civilisation and to adopt Western methods of trade, commerce, manufacture, government, and education. Until 1889 the government remained an absolute monarchy. In that year the Mikado voluntarily promulgated a constitution by which a legislative Parliament, or

"Imperial Diet," and an executive Cabinet of State Ministers were instituted, so that the government of Japan is now as "constitutional" as that of Germany or Great Britain. The government is in other ways thoroughly modern. Education, for example, is almost as well looked after as in Germany or New England. There are 220 kindergartens established, 97 technical schools, and 49 normal schools for the training of teachers (one being for the training of high-school teachers), besides elementary schools, middle schools, high schools, special schools (1263 of these), and universities. The University of Tokio is an imperial institution, supported entirely by the government, with colleges in law, science, medicine, literature, engineering, and agriculture. Education, between the ages of six and fourteen, is compulsory. The army, too, is wholly a modern affair. It consists of 285,000 men, and an idea of its modernness may be gathered from the fact that an important part of its organisation is its training schools and colleges. Even the non-commissioned officers are specially trained and educated. Altogether the students in the military schools and colleges of Japan number 2400. The navy, too, as is well known, is both modern and efficient. It consists of 5 battleships and 15 high-class cruisers, besides 46 other vessels,—torpedo craft, gunboats, convoy ships, etc.,—and it is intended to build an immense fleet of 19 battleships and cruisers, and 100 torpedo craft in addition.

JAPAN'S AGRICULTURE

Japan being of volcanic origin, much of its soil is unfit for cultivation. The total productive area amounts to less than thirty per cent., and even of this only a small portion is capable of being tilled by modern methods. At present only twelve per cent. of

the whole surface of the country is devoted to agriculture, even including pasturing. There is, however, but little pasturing, and the principal implement of cultivation is the spade. The modern plough is unknown. But manure (principally domestic manure and fish refuse) is very generously used, and by this means the returns are abundant. The principal food crop is RICE. Other food crops are wheat, barley, and the soya bean, but these not numerously so. The principal cultivated products for purposes of commerce are the mulberry tree (for supporting the silkworm), the tea plant, the lacquer tree, and the camphor tree. Rice also is grown for export as well as for home consumption, and COTTON is very largely grown for home manufacture. No milk, butter, or cheese is produced, scarcely any meat, no wood, and scarcely any leather. (For boots and shoes paper is used instead of leather.) Of cattle there are only 1,000,000, as compared with 10,000,000 in the British Isles, although the population of Japan is considerably the greater. Of horses there are 1,500,000, and the raising of horses is much encouraged by the government, but principally for military purposes. Horses, indeed, are but little employed. In cities, for purposes of carriage and cartage, men are used instead of horses. Even in rural districts horses are unknown for farming purposes, and not even the hand-cart or wheelbarrow is used. Everything is carried. Fruit is much raised,—oranges, apples, walnuts, plums, peaches, and grapes,—but Japanese fruits are of very inferior quality. FLOWERS are raised everywhere in great variety and in great abundance, and the chrysanthemum is the emblem of the country and is used on postage stamps.

JAPAN'S MANUFACTURES: THEIR FUTURE POSSIBILITIES

The future of Japan depends upon its MANUFACTURES, but these also are not without their difficulties. The mineral wealth of the country is very great, principally in COAL and IRON. On the northern island alone (Yezo) the coal deposits are two thirds those of all Great Britain. Unfortunately, however, owing to the mountainous character of the country, railways in Japan are difficult to construct, and the transportation of coal or of ore is difficult and expensive. As the coal deposits and iron deposits are not near together charcoal has been used for smelting purposes. Iron, therefore, so far, has not been produced profitably, and its production has decreased. But silver is mined abundantly, and also KAOLIN, or the raw material used in the manufacture of the beautiful porcelain of the country. Copper and antimony are also large articles of export. The principal manufactures of Japan as yet are the TEXTILES, especially SILK and COTTON. In these modern methods are used, although so far the productions of the native domestic looms are superior to those of the factory looms. The production of textiles by machinery has increased fourfold in ten years, and now amounts to about $40,000,000 annually. This, however, is not a large amount, being less than the textile production of any important state in Europe, even Switzerland, or Sweden and Norway, and is only one twentieth that of the United States. Until recently the factory owner in Japan has had the advantage of cheap labour. But the Japanese artisan is also becoming "modernised," and is now demanding higher wages, and enforcing his demand by "strikes." And for all their deftness in domestic manufacture Japanese workmen are not yet as skilful in machine labour as British or American workmen. It follows, therefore, that textile manufacturing in Japan, especially the manufacture of cotton and wool, is not yet out of its tentative or probationary stage. But Japan, having the advantage of an extensive home market for

cotton goods (like the Chinese, the Japanese common people wear cotton garments all the year round, in winter padding them for warmth), and having the raw material at her own door (she already grows a large proportion of all the raw cotton she needs), and having, too, an abundance of coal at hand, must needs become a great cotton-manufacturing country. The same conditions hold with regard to the possibilities of Japan's silk manufactures.

POSSIBILITIES OF INCREASED FOREIGN TRADE WITH JAPAN

As in the case of China, the possibilities of increased trade with Japan lie principally in WOOLLEN MANUFACTURES and in BREADSTUFFS. In addition there is a fair chance of increased trade in metal manufactures. The use of woollen garments in Japan in winter is extending even to the middle and working classes. And inasmuch as the country does not raise sheep, and is, indeed, not well able to raise sheep, such woollen clothing, woollen cloth, or raw wool as is used must be imported. Hitherto the woollen manufactures which have been established in the country have not been very successful, and the probability is that Japan's import trade in woollen clothing and woollen cloths will increase year by year. Similarly, from the fact that the agriculture of the country is not adapted to the growth of wheat, nor seems ever likely to be so adapted, and also from the fact that both the higher and the middle classes of Japan are rapidly adopting European and American habits of living, it is very probable that the importation of wheat and wheat flour into Japan will also continue to increase year by year. And from the difficulty there is of smelting iron cheaply it is probable that the importation of

iron and iron goods (which in raw iron, iron and steel rails, iron small wares and nails, spinning and other machinery, and steel ships, already amounts to $8,000,000 a year) is likewise likely to increase greatly year by year also.

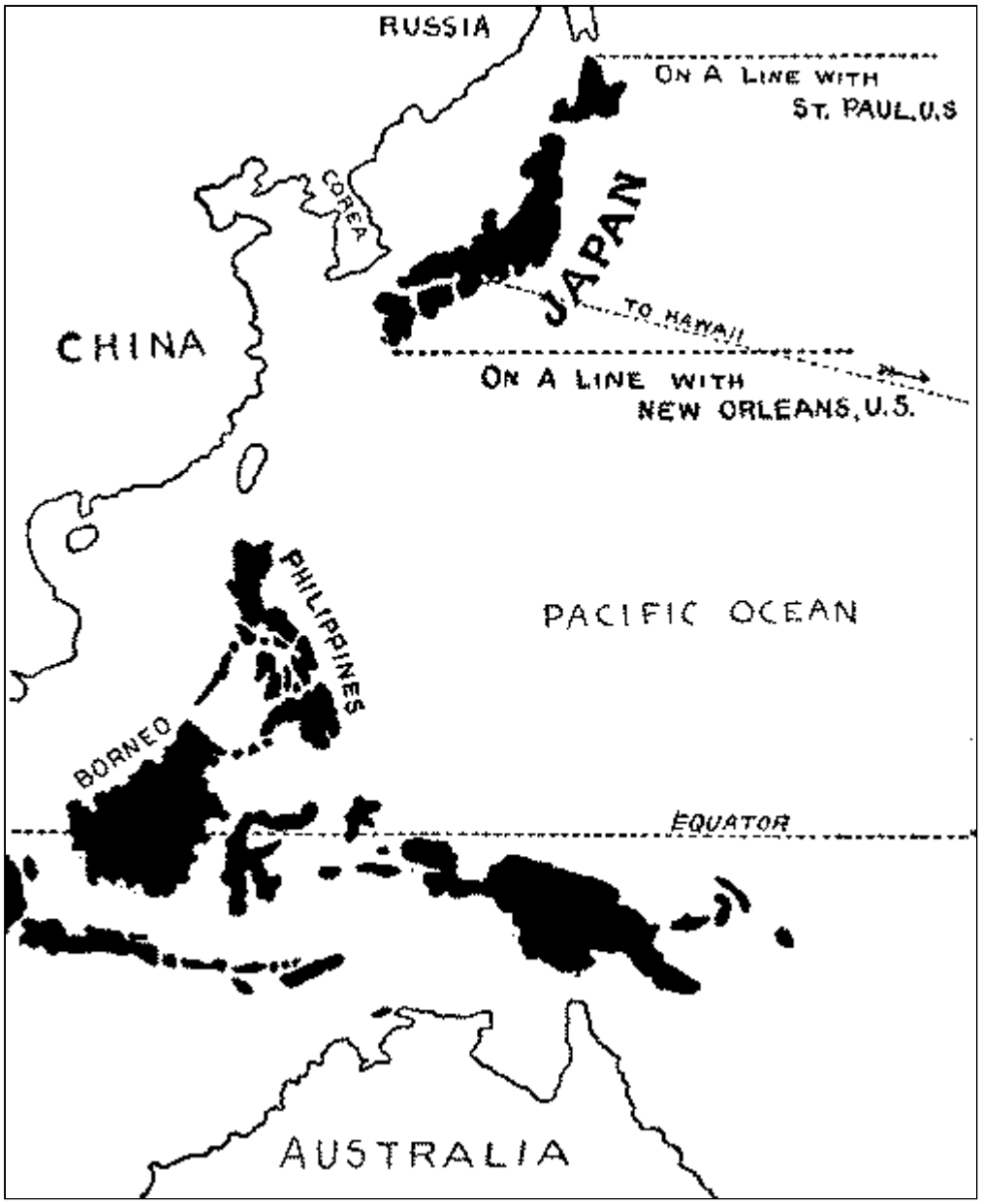
JAPAN'S MODERN TRADE FACILITIES

Owing to the irregular conformation of the surface of the country, good roads in Japan can scarcely be said to exist. But 20,000 miles of roads have been built, of which the state maintains about one fourth. There are also 2505 miles of railway, of which the state owns and maintains about one fourth also. There are 11,720 miles of telegraph routes, with 37,000 miles of wire; 520 miles of telephone routes, with 6347 miles of wire; and 387 miles of submarine cable routes, with 1481 miles of wire. The country also has a merchant navy of 827 steam vessels of modern type and 702 sailing-vessels of modern type, besides 668 native craft. Owing to the irregular and rocky nature of the coast-line and the great number of small islands which exist, numerous lighthouses are needed; but Japan's lighthouse system is one of the best in the world.

JAPAN'S FOREIGN TRADE

Japan has a foreign trade of $60,000,000 annually in exports and $86,000,000 annually in imports. Of the export trade the principal part, running from a fourth to a third, is with the United States. The next largest part is with France, the next with Hongkong, the next with China, and the next with Great Britain. But Great Britain's direct share is not more than a

twelfth. Of the import trade the principal part, almost one third, is with Great Britain. The United States' share is about a twelfth, and that of France about one twenty-fifth. The principal exports are RAW SILK (about one third of the whole), SILK GOODS (about one tenth of the whole), TEA, coal, copper, rice, and matches. The export of matches amounts to $2,500,000 annually. Characteristic exports, though they do not figure largely in the total amount, are floor rugs, lacquered ware, porcelain ware, fans, umbrellas, bronze ware, repoussé work, paper ware and papier-mâché, fibre carpets, and camphor. There is also a large export of fish, shellfish, cuttlefish, edible seaweed, and mushrooms to China and other Asiatic countries. The chief import is RAW COTTON (almost one fifth of the whole). Other important imports are sugar (although she raises almost 100,000,000 pounds of sugar herself annually), cotton yarn, cotton goods, woollen cloths, flannels and blankets, kerosene oil, watches, and articles of iron and steel as above enumerated. The fishing industry is a very important one and over 2,500,000 people are engaged in it. The number of fishing-boats is about 400,000. The fish trade, which includes seaweed, is (when not for home consumption) principally with China.



Japan's relation to eastern Asia.

JAPAN'S SPECIAL TRADE CENTRES

The foreign commerce of Japan, like that of China, is allowed to be carried on only at certain ports, called "treaty ports," of which there are nineteen, the

principal being Yokohama, Osaka, Nagasaki, Hakodate, Niigata, and Kobe. The two principal cities, not treaty ports, are Tokio and Kioto. TOKIO (1,300,000) is the capital and chief centre of the political, commercial, and literary activity of the empire. In many respects Tokio is a "modern" city. Its educational features are excellent. Its sanitation also is good. KIOTO (340,000) was formerly the capital, but after the revolution of 1868 it was superseded in this respect by Tokio. YOKOHAMA (170,000), distant from Tokio eighteen miles, is the chief place of the empire for foreign trade. Its foreign trade, indeed, is more than half that of the whole empire, being about $75,000,000 annually. OSAKA (487,000) is in respect to population the second city of the empire, but its foreign trade is not large and is carried on principally at HIOGO, a port near it. NIIGATA (50,000) is the only treaty port on the west side of Japan, the surf caused by the winter monsoon making the flat west coast of the country very dangerous for shipping for half the year. Other important ports are KOBE (161,000) and NAGASAKI (72,000). NAGOYA (215,000) is an important inland town.

IX. THE TRADE FEATURES OF AFRICA

AFRICA FIFTEEN YEARS AGO

Within a period of about fifteen years the continent of Africa has been the scene of a vast partition. At the beginning of that period the amount of African territory that was subject to European control was comparatively small. The British were firmly established in South Africa, and had possessions

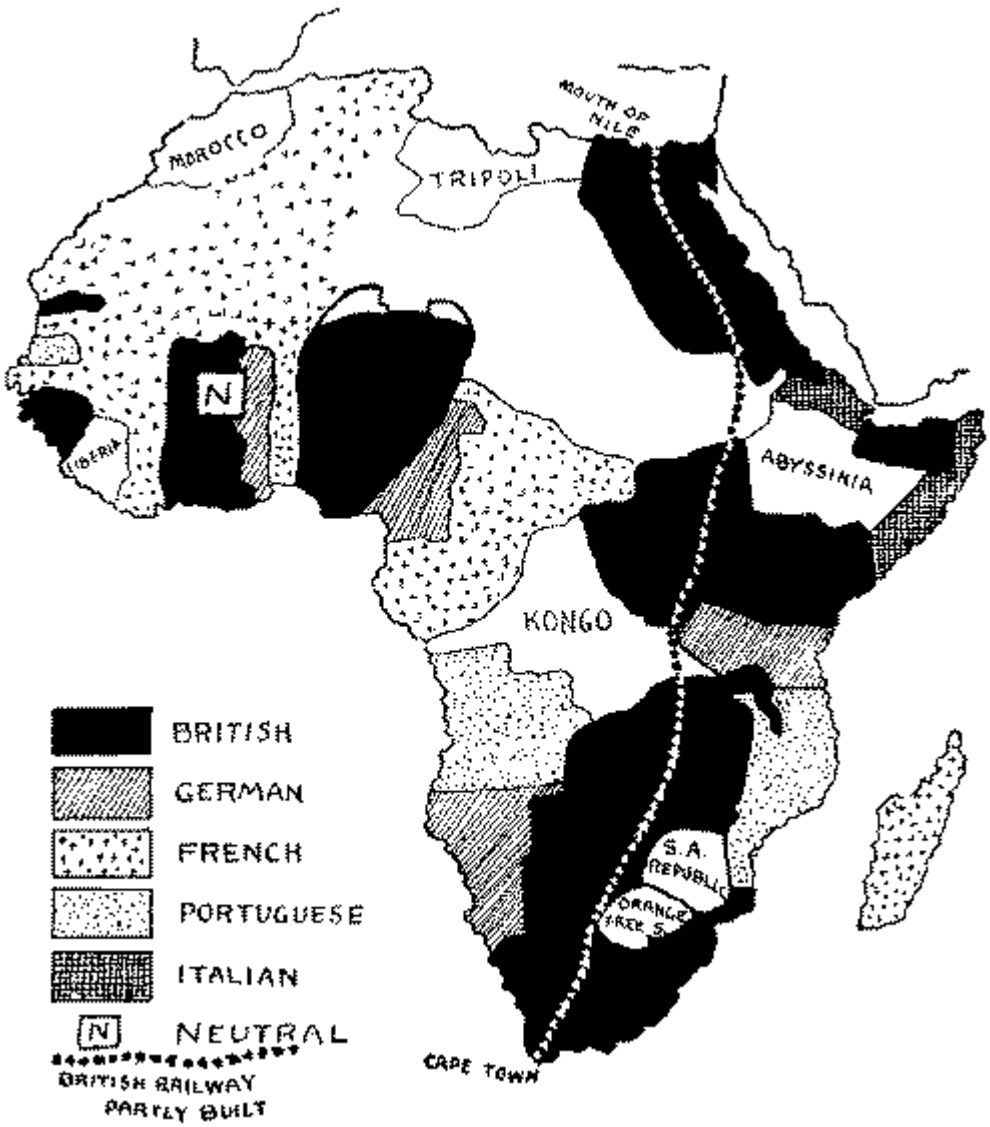
along the coasts elsewhere principally in the west. The French were firmly established in Algeria and in Senegal. The Portuguese had their ancient settlements in Mozambique and Lower Guinea. Morocco on the northwest and Abyssinia in the northeast were more or less well-established governments that were independent. Egypt in the extreme northeast, with tributary possessions extending along the Nile into the far interior of the continent, was also a more or less well-established government that possessed a quasi-independence, though it was nominally dependent upon Turkey. But elsewhere, except in a few other places controlled by European authority, the whole continent may be described as having been in its original state of savagery or semi-savagery. No government existed anywhere that was either beneficent or stable. The slave-traffic abounded everywhere.

EUROPEAN SPHERES OF INFLUENCE IN AFRICA

The European governments that had possessions in Africa were all doing their best to suppress the slave-traffic. But they could not take very salutary steps in this direction without exercising authority beyond the territorial limits they were supposed to occupy. Gradually, for these reasons, and also for the reason that they were all anxious to extend their commercial dealings in Africa, they began to exercise authority beyond their old-time territorial limits. In this way began the establishment on the part of European nations of what are known as "spheres of influence" in Africa. At first England and France were the only nations that were at all active in establishing these spheres of influence. Later on Germany and Italy and other nations began

to establish them also. Beginning, therefore, with the years 1883 and 1884 there has been a general establishment and gradual extension of these spheres until now the whole continent has been practically parcelled out among a few European powers.

THE GREAT PARTITION OF AFRICA



The partition of Africa.

The ancient empire of Morocco still exists in an independent state. Abyssinia, though Italy attempted to subjugate it, is again also independent. The little republic of Liberia is nominally independent. Some territory in the very heart of the Sahara or Great Desert is yet in its aboriginal independence. But elsewhere, throughout the whole continent, Africa is either British, or French, or German, or Belgian, or Portuguese, or Italian. Spain's holding is not worth mentioning. Italy's holding also is scarcely worth mentioning. Portugal's holding has not been increased in the recent "scramble"—only made more definite. France's holding, however, has been enormously increased, and is now the largest (3,300,000 square miles), although much of the French area is barren desert, and much of the rest of it uninhabitable by white people. Great Britain's holding also has been greatly increased, but not nearly so much so as it would have been if in the earlier years of the scramble the British government had not been singularly blind to the actions of other governments in the matter. Germany, too, has got a substantial holding (925,000 square miles). The Kongo Free State, which, though nominally independent, is practically under the suzerainty of Belgium, and must look to Belgium for the funds with which to promote its development, is also a substantial possession, being a little less than Germany's holding—900,000 square miles.

GREAT BRITAIN IN AFRICA

Great Britain's holding, however, in the partitioned continent comprises its best portions. Much of Africa is uninhabitable by white men. Wherever, however, white men can live—except in northern Africa—there Great Britain has managed to get control. Excluding the shore of the Mediterranean,

the best part of Africa, considered from the view points of colonisation and commerce, is what is now known as "British South Africa." This is an immense area—an area of almost 1,000,000 square miles. It comprises (1) that whole southern portion of the continent known as Cape Colony, and (2) that portion of the great central plateau of the continent which extends from Cape Colony northward to Lakes Nyassa and Tanganyika—all except the two Boer republics, the Orange Free State and the South African Republic. British East Africa (800,000 square miles) includes the territory of Uganda, north of Lake Victoria, a territory which from the character of its native population and its possibilities of trade has been called the "pearl of Africa." British West Africa (500,000 square miles) includes the basin of the lower Niger, the most densely peopled area in all Africa, the seat of the great Fula-Hausa empire of Sokoto-Gandu, the wealthiest and greatest trading nation in the continent. Furthermore, in the northeast, Great Britain exercises "protectorate control" over Egypt—a control that is likely to be instrumental in reclaiming for Egypt, and thus for civilisation and commerce under British authority, the whole of Egypt's ancient possessions along the Nile as far at least as Uganda. The total area of the British possessions in Africa, exclusive of the two Boer republics and Egypt, is over 2,300,000 square miles.

THE "DOMINION OF SOUTH AFRICA"

"South Africa" is practically "British South Africa." The German portion is either largely barren or else inaccessible. The Portuguese portion is only a narrow strip along the east coast, much of which is too unhealthy for habitation other than by natives. The two Boer republics are rapidly filling up with

British people, are being developed by British capital, and must in time become confederated with the states that environ them. One of them, too, is already under British suzerainty. British South Africa, however, is as yet only a name. It has no real existence except in hope. The aspiration of statesmen in southern Africa is that all the territories of southern Africa under British control shall form one confederation, and that in this confederation the Orange Free State and the South African Republic shall join. The territories entering into this confederation would therefore be as follows: The self-governing colonies of Cape Colony and Natal, the crown colony of Basutoland, the protectorates of Bechuanaland and Zululand, the territory now administered by the British South Africa Company, popularly known as "Rhodesia," and the British Central Africa protectorate, with in addition the two Boer republics previously mentioned. The length of this proposed South African dominion would be 1800 miles. Its width would be from 600 to 800 miles. And, as said above, its area would be about 1,000,000 square miles. Mr. Stanley predicts that in a hundred years the "Dominion of South Africa" will have a white population of 8,000,000, and a coloured population of 16,000,000.

SOUTH AFRICA'S AGRICULTURAL POSSIBILITIES

Of South Africa as above defined Cape Colony and Natal are at present the most important portions. Their climate is in some respects the finest in the world. Their soil is of remarkable richness. The number of distinct species of indigenous plants found upon it is greater than for any other equal area on the globe. The same remark was once true of the animals found in South Africa, which again is

testimony to the great fertility of the soil. But a serious drawback is the insufficiency and uncertainty of the rain supply. Irrigation, however, is practised, and wherever irrigation is possible the land may be made to blossom like the rose. Agriculture, however, is only indifferently pursued. The VINE in Cape Colony produces more abundantly, very much more abundantly than anywhere else in the world, and yet neither grape-raising nor wine-making can be said to be successful. PASTURING is the principal occupation of the people in rural districts. There are 17,000,000 sheep in Cape Colony, and 6,000,000 goats. Natal, which is warmer, has 500,000 sheep. Another principal occupation is OSTRICH-FARMING. The ostrich, once wild in South Africa, is now bred domestically. Cape Colony has 230,000 ostriches. Ostrich feathers fetch from $150 to $300 a pound. The RAISING OF CATTLE is another principal occupation, and draught cattle are much used for transport purposes. Cape Colony has 2,000,000 cattle; Natal, 1,000,000. The principal food crops are wheat and maize, but little is raised for export. In Natal, sugar is an important product, and also tea. Many magnificent timber woods are found, but the trees are stunted and little timber is exported. Much has been wasted by fires. The great agricultural possibilities of South Africa are WOOL, MOHAIR (the hair of the Angora goat), fruit, wine, and skins. The breadstuffs of South Africa will probably all be needed for home consumption.

SOUTH AFRICA'S GREAT MINERAL WEALTH

All the world over South Africa is famous for its DIAMOND MINES and its GOLD-MINES. The diamonds are found principally in Griqualand, north of the

Orange River, now a part of Cape Colony, but they are also found in the Orange Free State. The diamond areas are very circumscribed, the diamond-bearing "pipes" being supposed to be craters of extinct volcanoes. The principal "pipes" are at KIMBERLEY (28,718), in Griqualand. These constitute the richest diamond-fields in the world. It is estimated that over $350,000,000 worth of diamonds have been taken out of Kimberley since their first discovery there in 1867. The largest South African diamond yet found was worth $300,000, but many other large ones have been found. The annual diamond export now is about $20,000,000. For 1896 the export was $23,200,000; for 1897 a little less. The production and export are strictly limited, so that prices may not depreciate. Next in interest to the diamond-fields are the gold-mines. These so far have been found principally in the South African Republic, or "Transvaal" as it is popularly called, in the "rand," or "reef," near the far-famed town of JOHANNESBURG (102,078). Since gold was first discovered in the rand (1871) $250,000,000 worth has been taken out. The annual output now is nearly $50,000,000, but it is estimated that before the rand can be exhausted $2,250,000,000 worth of gold must be taken out—an amount much greater than the total public debt of the United States, national, state, and municipal. But north of the Transvaal, in Rhodesia, especially in Mashonaland, is a territory popularly called the "Land of Ophir," where mining operations are only just begun, but where gold is supposed to be even more richly stored than in the Transvaal. Of this district the newly built town of SALISBURY is the centre. Other mineral products of South Africa are coal in Natal, mined at NEWCASTLE, and copper in the northwest of Cape Colony, shipped at PORT NOLLOTH.

SOUTH AFRICA'S FOREIGN TRADE

The import trade of South Africa so far consists of almost everything needed by the inhabitants except meat, flour, vegetables, and fruit, for there are as yet almost no manufactures. The principal exports are: (1) gold, $60,000,000 per annum, including that from the Transvaal; (2) diamonds, $22,500,000; (3) wool, $12,500,000; (4) mohair, the hair of the Angora goat, $3,000,000; (5) ostrich feathers, over $2,500,000; (6) hides and skins, $2,200,000; and (7) copper ore, $1,250,000. The export of wine and fruit, for the production of which the country is so well suited, and also of grain, is inconsiderable.

SHIPPING PORTS AND RAILWAYS OF SOUTH AFRICA

British South Africa, like all of Africa, is wanting in seaports. In fact, it has but few. However, it has one, Walfish Bay, which territorially does not belong to it, inasmuch as it is in the middle of the coast of German Southwest Africa—the only port in that coast. The principal port in British South Africa is Cape Town (83,718), which is also the capital and principal place. The next principal ports are, for Cape Colony, Port Elizabeth (23,266) and East London, and for Natal, Durban. Lorenzo Marquez, on Delagoa Bay, and Beira, at the mouth of the Pungwe, both in Portuguese East Africa, are natural ports for northern British South Africa, and are used as such, railways being constructed from them into the interior. Railroad-making, indeed, is now the all-important matter in South Africa. Lines are already built from Cape Town, Port Elizabeth, East London, Durban, and Lorenzo Marquez to the diamond-fields of Kimberley and the gold-mines of

Johannesburg. These also give to the pastoral and agricultural parts of the interior facilities of access to the sea. But the line from Cape Town to Kimberley is being rapidly extended northward to Salisbury, the central point of the gold-fields of Rhodesia, and already has reached BULAWAYO, 1600 miles from Cape Town. The line from Beira is also to end at Salisbury. Already a telegraph line extending from Salisbury northward has reached the west shore of Lake Nyassa, and by the close of this year (1898) it will reach the south end of Lake Tanganyika. It is proposed that the railroad from Bulawayo shall follow this same route, and it is the dream (or shall we say the hope?) of the empire-builders of South Africa that this railway shall before many years be so far advanced northward that it will meet the railway that is now being built from Cairo southward through the continent along the Nile. Mr. Stanley predicts that the "Cape to Cairo" railway will be an accomplished fact before 1925. The white population of South Africa, even including the Boer republics, is still less than 750,000.

X. THE TRADE FEATURES OF AUSTRALIA

AUSTRALIA AND AUSTRALASIA

The term AUSTRALASIA, as now generally used, comprises Australia (including Tasmania) and New Zealand, and a number of small neighbouring islands. So used it practically denotes a British possession; for such islands as are comprised by the term and yet do not belong to Great Britain are

comparatively unimportant. But when we speak of Australasia, we are generally thinking of AUSTRALIA, for Australia is so large and important that it seems to overshadow the other parts of Australasia. But in respect to politics or commerce Australia is not one country; it is divided into several self-governing colonies. These are, in order of importance, Victoria, New South Wales, South Australia, Queensland, and West Australia. But a movement is now being made to unite all these colonies, and Tasmania as well, into one "Australian Confederation," just as the several provinces of Canada, which were once independent colonies, have been united into one "Dominion of Canada." This confederation scheme, however, has not yet been accomplished.[3] New Zealand, because of its distance (1200 miles) from Australia, has so far shown no desire to enter into this confederation.

FOOTNOTE:

[3]Since the above was written the scheme has been developed a very considerable way toward completion. The name of the confederation is to be "The Commonwealth of Australia."

THE AREA AND CLIMATE OF AUSTRALIA

Australia is a continent not only in name but in fact. Its area, including Tasmania, is almost 3,000,000 square miles, which is about the area of the United States exclusive of Alaska, and only about one fourth less than the area of the continent of Europe. Fully two fifths of this area lie within the torrid

zone, and of the rest, even in Victoria, the part farthest from the equator, the climate is so warm that it corresponds with that of Spain, southern France, and Italy. But over so vast a territory great differences of climate must occur, and consequently of products also. A general description of the climate and products of Australia is therefore impossible. Yet there are several characteristics which appertain to the whole continent. The chief of these are (1) the great DRYNESS of the ATMOSPHERE—not merely its lack of rain, but its absolute freedom from moisture; (2) the remarkable INEQUALITY, or want of regularity, in the RAINFALL. Occasionally the rainfall is excessive, but a more frequent and serious cause of trouble is excessive drought. The continent on every side has a low coast region, where the rainfall is heavier and the temperature generally hotter than in the corresponding table-land interior to it. But the vast table-land of the interior has comparatively little rain, and indeed in some parts of it, especially in the centre and west, the rainfall is so slight that the country is practically a desert.

But even when all the desert areas of Australia are excluded from calculation there still remains in the interior plateau, toward the east and south, an immense area of country of great fertility and productiveness. The Murray River alone drains an area of 500,000 square miles, one sixth of the whole continent, a great part of which is of exceeding richness. In these fertile parts irrigation by artesian wells has been tried, and always with great success. And it is thought that almost the whole continent can be regained for agriculture, or at least for sheep-pasturing, by similar means; for even in the arid and so-called desert parts of the interior, there is very little soil that is not really fertile, for all of it is covered with thick brushwood. Moisture alone is needed to make it bear crops abundantly. And this dryness of the atmosphere which prevails

throughout the whole continent is not without its compensations. It renders the climate exceedingly healthful.

AUSTRALIA A CONTINENT OF PECULIARITIES

Australia has MANY PECULIARITIES. It has only one large river, and even that in summer becomes a series of isolated pools. It has no high mountain range, its principal mountains being only a series of ramparts marking off the lower coast lands from the interior plateau. Again, its native quadrupeds are entirely different from those of other continents, being almost all, whether little or big, "marsupials," or "pouch-bearers," like the kangaroo. Its birds are mostly songless. Its flowers, for the most part, have no scent. Its trees are leaved vertically and cast no shade. Its indigenous inhabitants have made no progress toward civilisation. When Europeans first came to the country they found no native animal that could be put to any use, nor any native fruit, vegetable, or grain that could be utilised for food. Still, all European domestic animals thrive abundantly in the country, and so do all European fruits, grasses, grains, and vegetables. The English rabbits, indeed, have become a terrible pest. As many as 25,000,000 of them have been killed in a year without any apparent diminution in their numbers. Over $1,000,000 a year has at times been spent to exterminate them, all to no effect.

VICTORIA

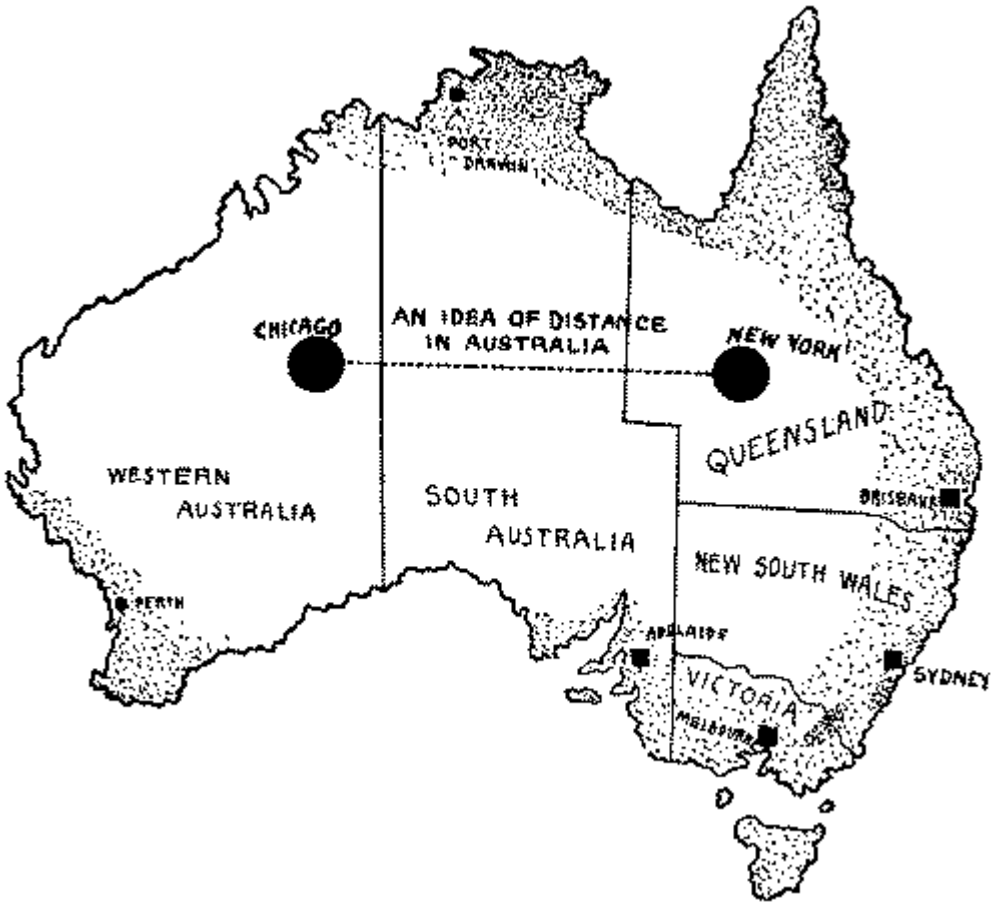
Victoria, the smallest of the Australian colonies, had until recently the largest population (June, 1897, 1,177,304) and also the largest trade. In both respects, however, it is at present surpassed by New South Wales. Victoria has owed its past pre-eminence to its GOLD PRODUCTION. Gold was discovered in the colony in 1851, and for years the output of the precious mineral was not less than $50,000,000 per annum. The present output of gold in Victoria, however, is only $10,000,000 per annum. Richer, however, than the gold-mines of Victoria is the fertility of its soil. A large part of the soil is exceedingly fertile—with irrigation one of the finest fruit-bearing soils in the world. The arboreal vegetation of the country is magnificent. Trees thirty feet in diameter rise to the height of 200 feet without a single lateral branch, and then 100 feet to 200 feet higher still. Pear-trees grow to the height of eighty feet, with trunks three feet in diameter. But as yet wool-growing, wheat-raising, and vine-growing are the principal agricultural occupations of the people. The principal agricultural export is WOOL—$25,000,000 worth per annum. But a considerable portion of this comes from New South Wales. The SHEEP kept number 15,000,000, the cattle 2,000,000. But the colony still remains principally a mining community. Five ninths of the population live in towns. Yet there are few towns, and two fifths of the whole population live in Melbourne—a city almost exactly as large as Boston.

MELBOURNE

MELBOURNE (451,110; with suburbs, 500,000), the capital city of Victoria and the chief city in Australia, is also one of the most beautiful cities in the world. Its parliament buildings, town hall, post-office, treasury, mint, law courts, public libraries,

picture galleries, theatres, churches, and clubs are all edifices of architectural magnificence and beauty, while its boulevards, parks and gardens are equally splendid. At one time money flowed freely and great commercial recklessness prevailed. But though Melbourne has sustained several severe depressions its present condition is prosperous and its future is assured. It is, however, a pleasure-loving city, and it is as much on this account as on account of its great beauty that it is called "the Paris of the southern hemisphere." Nowhere else in the world, perhaps, are indoor amusements—the theatre, concerts, etc.—or outdoor amusements—cricket, football, horse-racing, etc.—more devotedly patronised than in Melbourne. Other important places in Victoria are BALLARAT (40,000) and SANDHURST (37,000), both mining towns, and GEELONG (25,000) locally noted for its manufacture of "tweeds."

NEW SOUTH WALES



Australia. Shaded portions show where the rainfall is sufficiently abundant.

New South Wales (population 1,311,440) is the oldest colony of Australia and the parent of both Victoria and Queensland. Of all the colonies, it has, perhaps, the greatest range of productions. On the low coast lands its soil is of extraordinary fertility, and even in the dry interior, when irrigation is employed, the fertility is still extraordinary. As yet, however, but one acre out of every two hundred is under cultivation, the chief agricultural occupation being pasturing. Over 50,000,000 SHEEP are kept, principally the MERINO. Grass grows everywhere, and even the summits of the mountains are covered. Drought, however, is a terrible drawback, and sometimes tremendous losses occur. In 1877 over 8,000,000 sheep perished, and in 1884 over

12,000,000. The total WOOL PRODUCTION is very large, averaging $50,000,000 a year. The export of hides, skins, leather, and chilled meat, principally mutton, amounts to $10,000,000 annually. Chilled mutton and beef are sent direct to London, though the passage takes five or six weeks by steamer and twelve to sixteen weeks by sailing-vessel. Scarcely less important than its agricultural products are the mineral products of New South Wales. Its COAL-MINES are the finest on the continent, and $4,500,000 worth of coal is exported annually, besides what is consumed locally. Its gold production, though not very large, is general throughout the whole colony. Its SILVER-MINES in SILVERTON and BROKEN HILL are among the most famous in the world, and its tin-bearing lands comprise over 5,500,000 acres. The foregoing comprise the staple products—the production of industries already well established. But fruit-growing, including all fruits, from apples, pears, and peaches, to olives and oranges, is a rapidly developing industry, no country in the world being better suited to it. Wine-making, too, is quickly coming forward, the New South Wales wines equalling in flavour those of France and Spain. Wheat-growing, cotton-growing, and even rice-growing are also in their several districts rapidly extending and prosperous pursuits. The development of New South Wales has only just begun. SYDNEY (including suburbs 410,000) is the capital and by far the largest city. Sydney, like Melbourne, is a beautiful city, but its beauty is natural rather than artificial, and it is well entitled to its name, "Queen of the South." It is situated on Port Jackson, one of the finest and most beautiful harbours on the globe. Sydney is the headquarters of all the various lines of steamships—British, American, French, Italian, etc.—that trade with Australia, and is indeed one of the great seaports of the world.

SOUTH AUSTRALIA

South Australia (358,224 in 1897) occupies the whole central part of the continent from north to south. But as only a very small portion of this vast area is settled—the southeast corner—it may be described as in characteristics resembling Victoria. Its principal industry is WHEAT-GROWING. South Australia is indeed the great granary of the continent, and is destined to be one of the great granaries of the world. Like the other divisions of Australia, South Australia, when once drought has been overcome by irrigation, is destined to become a great fruit country, its warm, moistureless climate being peculiarly well suited to the ripening of fruits of exquisite flavours. Already its olives are pronounced the finest in the world. The principal city and chief port is ADELAIDE (with suburbs 144,352). Like other Australian ports, Adelaide possesses excellent steamboat shipping facilities. In the north, on the Timor Sea, is PORT DARWIN, likely to be an important trade centre.

QUEENSLAND

The most interesting of all the Australian colonies is Queensland (population 472,179), for it is a tropical country with a climate so salubrious that white people can live in it and be comfortable and healthy. The heat, instead of being enervating, is stimulating and bracing. A great portion of its soil is of unsurpassed fertility. The only drawback is the unequal distribution throughout the year of the rainfall. But wherever irrigation wells are sunk the climate becomes highly suitable for SHEEP-RAISING, and also for the growing of many kinds of FRUIT. There are already 15,000,000 sheep and 5,000,000

cattle in the colony, and wool is exported to the amount of $15,000,000 annually. Other agricultural exports are frozen beef and mutton, and hides and skins. WOOL is the chief export. The second export in importance is GOLD, which reaches $10,000,000 per annum. Tin is also exported, and coal, though little worked, is abundant. Developing exports are sugar ($2,500,000 per annum), arrowroot, cotton, tobacco, rice, and coffee. A difficulty, however, in the development of these products is the labour question. White men cannot work in the plantations. Chinese prefer to work in the mines. The natives won't work anywhere. No negroes are obtainable. As a consequence Polynesians have to be imported. BRISBANE (100,913) is the capital and chief city and port.

WEST AUSTRALIA

West Australia (population 162,394), the largest of all the Australian colonies, has only been recently settled, and its constitution as a self-governing colony dates only from 1890. A large part of its area has never been explored, and a large part is known to be scrub desert. But there is scarcely any part of it, even of its "scrub" areas, but that will support sheep when once artesian wells have been sunk, and large portions of the colony, especially along the coasts, are as fertile as need be. And the climate, though very dry, is exceedingly healthful. PERTH (43,000) is the capital. ALBANY is the principal port.

THE IMMENSE RESOURCES OF AUSTRALIA. ITS PROBABLE FUTURE

Australia is undoubtedly on the eve of a period of great development. Its resources are known to be immense. Its climate has been found most favourable to human health, and the objectionable feature of the climate, the smallness and irregularity of the rainfall, has been studied and become understood and found remediable. Once the confederation that is now in process of formation takes place, there is no doubt that Australia will enter upon a new and prosperous commercial era. Owing to the fact that its chief opportunities for wealth lie in the development of its natural resources, it is probable that for some time to come almost all the manufactured goods Australia needs will have to be imported. Already its importation amounts to $275,000,000, of which, of course, Great Britain supplies the principal share. This importation is principally clothing and materials for clothing, but it also comprises hardware and machinery, and in fact everything required by a highly civilised and money-spending people, except breadstuffs and provisions. The magnitude of this importation may be comprehended from the fact that it is more than one third of the total exportation of the United States for any year save one up to 1896, including our immense export of breadstuffs, provisions, and cotton. And besides the articles of export already mentioned—WOOL, MEATS, HIDES, SKINS, MINERALS, FRUITS, etc.—there is one other Australian resource that is capable of almost indefinite development. This is its TIMBER. The eucalyptus or gum-tree prevails almost universally in Australia, and some of its commonest varieties, being both strong and indestructible by insects, are of almost unequalled value for ship-building, railway ties, and dock and harbour construction. That the Australians are fully alive to the importance of developing their foreign trade is seen in the efforts they have made to provide facilities for bringing their products to ocean ports. There are

11,980 miles of railway, almost every mile of which has been built by the governments. This is one mile of railway for every 300 inhabitants, as against one mile for every 400 inhabitants in the United States. These railways run wholly to and from the seaboard. There are no manufacturing towns to be catered to. Australian trade consists wholly in exchanging home-raised natural products for imported manufactures. Equally remarkable with the railroad enterprise of the Australians is their enterprise in telegraphic construction and the establishment of cable communications. For example, a telegraph line 2000 miles long, running across the continent from Adelaide to Port Darwin, has been built by the province of South Australia so as to connect with a cable from Port Darwin to Java, Singapore, etc., and thus with Europe and America. For at least 1500 miles this telegraph line runs through one of the most desolate and inaccessible regions in the world.

XI. THE TRADE FEATURES OF SOUTH AMERICA

SOUTH AMERICA, A FERTILE CONTINENT WITH DRAWBACKS

South America is an immense but very fertile continent, whose natural resources are as yet scarcely begun to be utilised. Though not so large as North America, it has a far greater area of productive soil—and, indeed, much of its soil is quite unsurpassed in fertility. It suffers, however, from two great drawbacks. 1. A great portion of its area (four fifths) lies within the torrid zone. In the low coast regions of this torrid area, and also in the

low forest regions watered by the great flat rivers of the interior, the climate is for the most part unendurable to white men. 2. South America has been unfortunate in its settlement and colonisation. Until in recent years colonisation as understood in Anglo-Saxon communities has scarcely been attempted in South America at all. All the earlier immigrations from the Old World were prompted by the thought of getting gold and silver and precious stones—if need were by the spoliation and enslavery of the natives. Only a small proportion of the population—not more than a quarter of the whole—consists of whites, and these are principally from Spain and Portugal. These conquerors of the continent have not in the main succeeded in establishing either stable forms of government or high types of civilisation. Furthermore, the mixed races—the MESTIZOS or METIS, as they are called, the descendants of the earlier Europeans and the natives—instead of advancing in civilisation have for some time past been retrograding. Then, again, there is a large negro element, the descendants of Africans once imported as slaves, to still further complicate the race question; and there is a considerable element partly negro and partly Indian. In only one state, Argentina, can affairs be said to be really prosperous, and even in Argentina the civilisation developed by its prosperity is gross and material rather than refined and intellectual. The next most prosperous and important states are Brazil and Chile. Perhaps Uruguay, though the smallest of all the states, should be placed after Argentina. The remaining independent states of the continent—Venezuela, Colombia, Ecuador, Peru, Bolivia, and Paraguay—are all states of the prevailing South American type. Their governments are more or less unstable. They are terribly burdened with debt, and their credit is such that they must pay high rates of interest. The civilisation once introduced among their native races by the zeal of Spanish

missionaries is deteriorating if not vanishing. And even among their leading classes there is much to be desired in the observance of the ordinary principles of right and wrong.

EUROPEAN IMMIGRATION IN SOUTH AMERICA

All the South American states enumerated above, with the exception of Brazil, were first taken possession of and "settled" by the Spanish, and the Spanish language still remains in them the language of government, education, and society. Brazil was first taken possession of and "settled" by the Portuguese, and in Brazil the Portuguese language prevails, just as elsewhere in the continent the Spanish language prevails. Among the natives many different languages are found, but in Brazil a "common language" is used, one introduced by the original Portuguese missionaries, and understood by nearly all the tribes. Between Brazil and Venezuela is a triangular piece of country called Guiana, which, unlike the rest of South America, is still under the control of European powers. It consists of three parts—French Guiana, Dutch Guiana, and British Guiana—colonies of France, Holland, and Great Britain, respectively. Leaving out Guiana, South America has received its entire civilisation from Spain and Portugal, and, with the exception of Argentina, Uruguay, and Brazil, there has been little or no emigration to any South American country except from these two European countries. To Argentina, however, there has been a large emigration from Italy especially, but also from France, Great Britain (mainly from Ireland and Wales), Germany, and Sweden. A similar emigration has taken place to Uruguay, though the foreigners in Uruguay are principally Basques, a people that live

on the border-land between Spain and France, but are neither Spanish nor French. In Brazil the immigration, where it has not been Portuguese, has been chiefly Italian and German, and in the temperate region of the extreme south of Brazil a large German population exists. Everywhere in South America the parts most prosperous are the parts that have come most directly under the influence of recent European emigration.

THE ARGENTINE REPUBLIC

The Argentine Republic, or "Argentina," as it is popularly called, is the most prosperous and most important of all the South American states. Its area (1,319,247 square miles) is equal to the total area of the States of the United States east of the Mississippi and Missouri, including the Dakotas, Missouri, Arkansas, and Louisiana. Although a portion of this vast area is not of much value for agricultural purposes, especially in Patagonia, a very large portion of it does consist of soil of great fertility, while the climate, which for the most part is a temperate one, is such as is well suited to Europeans and white people generally. The population May 10, 1895, was 4,094,911. Of this population it is estimated that over 850,000 are Italians, 183,000 French, 161,000 recently emigrated Spaniards, 60,000 English, and 54,000 Germans and Swedes. The language of the government and of the schools is Spanish. At one time in Argentina there was a disposition to take the United States as a model in everything, but of late years there has been a tendency toward taking France as a model in manners and customs. This disposition to imitate European peoples is particularly true of the wealthy classes.

ARGENTINA'S RAPID PROGRESS

The pride and boast of Argentina has been its rapid progress. In the thirty years ending 1886 the immigration was over a million. From 1886 to 1889 it was from 100,000 a year to 200,000 a year. In 1890, owing to the financial crisis of that year, it fell away almost to nothing. Since 1890 it has gradually increased until now it is about 100,000 a year again. In 1869 the population was only 1,837,000. Now it is over 4,000,000. Similarly the capital city, Buenos Ayres, has made an increase not easily paralleled. In 1869 its population was only 187,126. In 1887 it was 423,996. By the census of 1895 it was 663,854. To-day it is said to be 750,000. Of this number about one half are foreigners. The high protective tariff established by Argentina in 1878 had the effect of instituting many small industries in Buenos Ayres, and to this cause the exceedingly rapid growth of its population is partly attributable.

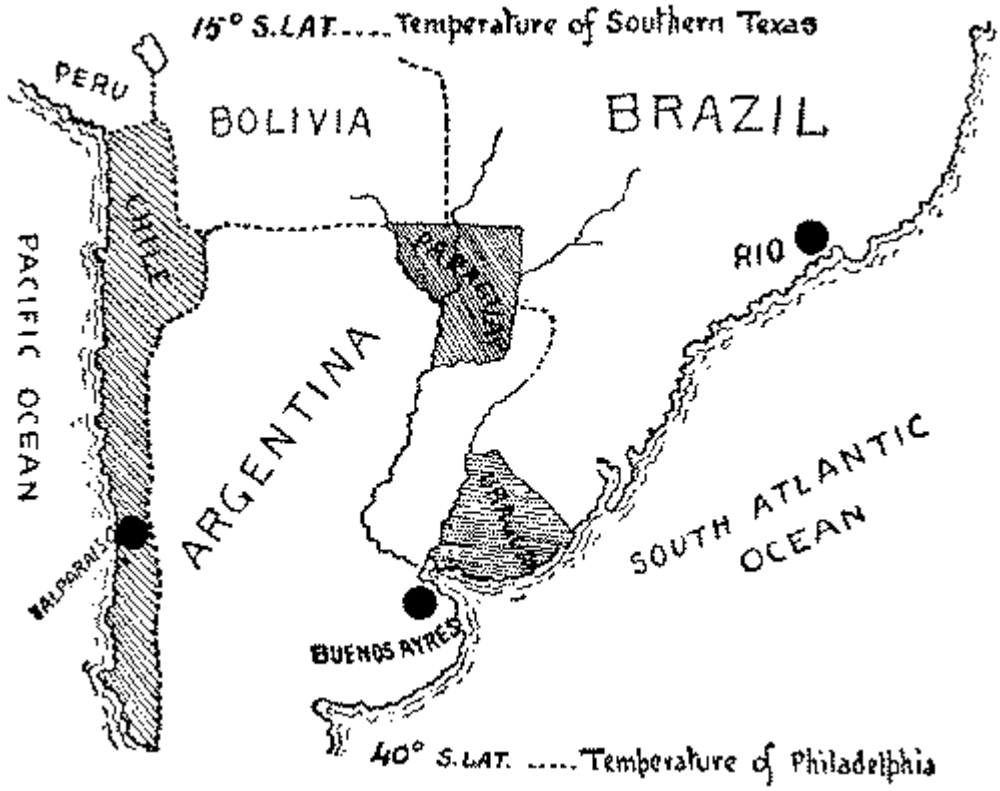
ARGENTINA'S AGRICULTURE AND MANUFACTURES

The great prosperity of Argentina has been due to the extent and immediate availability of its agricultural resources, for its forest wealth remains undeveloped, and its mineral resources are comparatively scanty. Its vast treeless and stoneless plains have needed no "improvements" to make them fit for settlement, and the soil which covers them being of virgin richness bears crop after crop without fertilising and with very little cultivation. Immigrants arrive in the country without a dollar and in twenty years are owners of estates of 5000 acres each. In no country in the world has agricultural extension been more rapid. In twenty

years the acreage under cultivation increased 1400 per cent. The amount under cultivation in wheat alone increased 2600 per cent. The WHEAT PRODUCTION averages 40,000,000 bushels, which is not far short of one fourth of the total wheat export of the United States. The production for 1897 was 60,000,000 bushels, although the amount exported was much less than that. The wheat product is indeed very variable, owing to droughts and locusts, for, like Australia, Argentina is uncertain in its rainfall. The CORN CROP is steadier, and in 1896 amounted (for export alone) to 60,000,000 bushels. More important in the aggregate than the direct products of the soil are the indirect products. There are 22,000,000 CATTLE kept in Argentina, 75,000,000 SHEEP, and 4,500,000 HORSES. The total exportation of animals and animal products amounts to $70,-000,000. Of this exportation the principal item is WOOL, the wool-clip of Argentina being, in weight, one seventh of the total wool-clip of the world. Unfortunately, however, Argentina wool is very dirty, and when washed reduces to one third, while Australian wool reduces only to two thirds or three fifths and is free from seeds. The profit accruing to the Argentina wool-grower is thereby lessened. But, nevertheless, wool-growing in Argentina is a very profitable industry, and many farmers (principally Irish settlers) have from 50,000 to 100,000 sheep each. Cattle-farming is carried on mostly by native Argentines, and many cattle farms are stocked with as many as 10,000 cattle and 2000 horses each. The great exports of Argentina, therefore, after wheat and corn and wool, are HIDES and SKINS, TALLOW, CHILLED BEEF, and MUTTON and bones. There are five factories in Buenos Ayres engaged wholly in chilling mutton, and the export of chilled mutton to Great Britain alone is $5,000,000 a year. Another growing agricultural product is WINE, the yearly production being 1,500,000 gallons. Notwithstanding Argentina's magnificent

forest areas, but little timber is exported or even manufactured for home consumption. The other principal manufacturing industries are carriage-, cart-, and harness-making, cigarette- and match-making, preserving and tinning meat, brewing, flour- and corn-milling, and the making of macaroni.

BUENOS AYRES



The most prosperous part of South America.

BUENOS AYRES, the capital of Argentina, is the largest city not only in South America but in the whole southern hemisphere. The La Plata, at whose mouth it stands, affords navigation into all the northern parts of the republic, as well as into the

neighbouring states of Uruguay, Paraguay, Brazil, and Bolivia. The riverside at Buenos Ayres is at all times of the year a perfect forest of masts and smoke-stacks belonging to the shipping that supplies this navigation. Recently, at a cost of $25,000,000, the river, which here is shallow, has been deepened and new wharves and docks have been built, and ocean-going vessels of the deepest draught (which formerly used to be lightened fourteen miles away) can now unload or be loaded right in the very heart of the city. The total commerce of the republic amounts to $200,000,000 or $225,000,000 a year, and of this trade Buenos Ayres transacts seven eighths in imports and three fifths in exports. The amount of this trade secured by the United States is about a tenth, running from $12,000,000 to $24,000,000. In 1896 it was only $12,500,000. The principal export trade is with France ($24,000,000), Great Britain ($14,000,000), Germany ($13,000,000), and Belgium. Great Britain does not buy Argentina wool. The principal import trade is with Great Britain ($45,000,000), Germany ($14,000,000), France ($12,000,000), and Italy. The Buenos Ayreans are fond of display and of dress and of ornamentation, and the importations from France and Italy are principally of goods to gratify this fondness. There is a considerable exportation of wheat, flour, tobacco, and maté (Paraguay tea) to Brazil and other South American states. Buenos Ayres is the centre of the Argentina railway system, which consists of about 9000 miles of road. There are 25,500 miles of telegraph routes. The national debt amounts to $430,000,000. The provincial debts amount to about $140,000,000. The taxation amounts to nearly ten per cent. of the earnings of the people, as against four and one half per cent. in Canada and five per cent. in Australia.

BRAZIL

Brazil is a much larger and more populous country than Argentina. Its area (3,209,878 square miles) is as large as that of all the United States, less half of Alaska. A great portion of this area is of superlatively tropical richness of production. But, unfortunately, the most fertile parts of Brazil are the parts least fit for settlement by white men. The population by the last census is approximately 14,500,000, but less than 4,000,000 of this population are pure whites. The negroes that were lately slaves number over 2,000,000, and there are supposed to be about 1,000,000 Indians. Intermediate between the Indians and negroes and the white population are the numerous mixed races or half-breeds. Agriculture is the chief industry, but is of two kinds: the tropical agriculture of the central and south central seaboard, which is carried on principally by negro and mulatto labour, and the agriculture of the temperate region of the extreme south, which is carried on mainly by colonists from Europe, the recent European emigration being almost wholly directed toward that region. Almost the whole of the interior of Brazil still remains unsettled and untilled. The COFFEE yield of Brazil is enormous and is its principal product. The production amounts to 8,000,000 bags or over 1,000,000,000 pounds annually, which is more than two thirds of the total amount of coffee used in the world. Labour for coffee cultivation is scarce and dear, and in the earlier stages of the production of the berry the Brazilian coffee gets badly treated. But machinery is used wherever possible, and in the later stages of the production the Brazilian coffee gets the best attention that skill can devise. As a consequence the coffee product of Brazil is rising in the estimation of coffee-users. The shrubs are cultivated under palm-trees so as to keep them from

the intense heat of the sun. Three or four harvests of berries are obtained in a year. Rio Janeiro and SANTOS are the two chief centres of the coffee industry. Next to coffee the chief tropical product is SUGAR, the export of which is about 250,000 tons annually, principally from Pernambuco. Other products of the tropical area of Brazil are COCOA and COTTON, from the cultivated coast regions, and RUBBER and Brazil-nuts, from the dense forests of the lower Amazon; also DYEWOODS and CABINET WOODS, drugs, and diamonds. For many years Brazil was celebrated for its diamonds—obtained chiefly from a town in the interior named Diamantina. The present diamond production is not large. From the temperate agricultural region of the south, dried beef, hides, and tallow are the chief exports. The greatest customer of Brazilian produce is the United States, which takes $70,000,000 worth. Great Britain is next, with $35,000,000 worth (in rubber alone in 1896 $15,000,000). Brazil gets her goods principally from Great Britain, the United States, France, and Germany—from Great Britain $20,000,000, from the United States $13,000,000. The imports include almost all articles needed for domestic and manufacturing purposes—particularly cottons and woollens, ironware, machinery, lumber, flour, rice, dried meats, kerosene, butter, and fish. There are, however, 155 cotton factories established in Brazil, with capital to the value of $50,000,000, and cotton manufacturing is protected by very heavy duties. But agricultural machinery and such like manufactures are very lightly taxed. The principal food of the people is manioc flour (tapioca).

RIO JANEIRO

RIO JANEIRO (674,972), the capital and principal city, though a poor-looking place, is situated on a

magnificent harbour—one of the very finest in the world. About 1500 vessels, with tonnage amounting to 2,500,000 tons, enter Rio Janeiro with foreign trade annually. Nine thousand miles of railway have been built in Brazil and 3500 more are in course of construction, and 12,000 miles of telegraph routes have been built. Rio Janeiro is the chief railway centre, but other centres are Rio Grande do Sul, in the temperate regions of the south, and Bahia and Pernambuco, in the tropical regions. The public (national) debt of Brazil is not far short of $1,000,000,000, bearing interest (a great part of it) at from four to six per cent. per annum.

XII. THE TRADE FEATURES OF CANADA

CANADA, PRACTICALLY AN INDEPENDENT FEDERAL REPUBLIC

The dominion of Canada comprises all that portion of the continent of North America north of the United States—except Alaska and Newfoundland and the coast of Labrador. (Newfoundland and the Labrador coast is a colony in direct relationship to Great Britain.) Canada is entirely self-governing and self-maintaining, and its connection with Great Britain is almost wholly a matter of loyalty and affection. It consists (1) of seven Provinces: Ontario, Quebec, Nova Scotia, New Brunswick, Prince Edward Island, Manitoba, and British Columbia, which, in their self-governing powers and their relation to the general government, correspond very closely to our States; (2) of four Territories—Assiniboia, Alberta, Saskatchewan, and

Athabasca, which correspond somewhat to our Territories; (3) of four other Territories—Ungava, Franklin, Mackenzie, and Yukon, which are administered by the general government; and (4) the District of Keewatin, which is under the jurisdiction of the lieutenant-governor of Manitoba. The capital of the whole dominion is Ottawa. Each province has its own capital.

SIZE, SOIL, CLIMATE, AND POPULATION OF CANADA

The area of Canada is immense. It figures up to 3,456,383 square miles, which is almost 500,000 square miles more than the total area of the United States exclusive of Alaska, and not far short of being equal to the area of all Europe. But almost 150,000 square miles of this area are taken up by lakes and rivers; and a much greater portion than this, under present conditions of civilisation, is wholly uninhabitable, being either too cold or too barren. Yet when all the necessary allowances have been made there still remains in Canada an immense area with soil fertile enough and climate favourable enough for all the purposes of a highly civilised population. Over 900,000 square miles are already occupied, and of the occupied area fully one half has been "improved." The older provinces are, acre for acre, as suitable for agricultural pursuits as the adjoining States of the Union. Manitoba, the "Prairie Province," is almost one vast wheat field, with a productivity for wheat unequalled anywhere except in the Red River valley of Minnesota and Dakota. The Manitoba grain harvest foots up to 50,000,000 bushels. British Columbia is a land of almost infinite possibilities, not only because of its mineral and timber resources, but also because of its capabilities for agriculture and fruit-growing. The

Territories are so vast an area that no general description of them is possible, but it may be said that the great wheat valley of the Saskatchewan, the sheltered grazing country of Alberta, and the great wheat plains of the Peace River valley in Athabasca, are regions adapted in soil and climate to sustain a hardy and vigorous people. The population of Canada is comparatively small. It is estimated at 5,250,000. Over 1,000,000 people of Canadian birth reside in the United States, and the number of Americans residing in Canada is only 80,000. Out of the 2,425,000 persons who came to Canada as immigrants in a period of forty years, no fewer than 1,310,000, or fifty four per cent., came over into the United States. It is stated that this exodus has ceased, and that if any great movement of population now exists it is toward Canada.

CANADA'S FOREST WEALTH

Canada, like all new countries, depends for her prosperity upon the development and exportation of her natural products. These are of four great classes: (1), the products of her forests; (2), the products of her mines; (3), the products of her fisheries; (4), her agricultural products. Canada's forest resources, when both extent and quality are considered, are the finest in the world. The forest area uncut was in 1891 nearly 1,250,000 square miles, or more than one third of the area of the whole country. The annual value of the timber and lumber produced is about $82,500,000. The annual value of the timber and lumber exported is about $32,000,000. Two thirds of this goes to Great Britain, and over $9,000,000 in lumber and logs goes to the United States. Quebec and Ontario have unlimited supplies of spruce for wood-pulp manufacture, the annual output of which reaches 200,000 tons. The uncut

lumber of British Columbia, which includes Douglas pine, Menzies fir, spruce, red and yellow cedar, and hemlock, is estimated to be 100,000,000,000 cubic feet.

CANADA'S MINERAL RESOURCES

Canada is just beginning to realise the largeness of her mineral resources. The most talked of gold-mines are those of the Klondike district, the extent of which is still uncertain. Much more definitely known and almost as productive are the gold-mines of British Columbia and the newly discovered gold-fields of the Rainy River district in northern Ontario. More important than the gold-mines of Canada are its coal-fields. These are principally in Nova Scotia and British Columbia. The latter province is destined to be the coal-supplying region for the whole Pacific coast of North America. The yearly output at present is about 1,000,000 tons; the yearly output of Nova Scotia is about 2,000,000 tons, principally produced by American capital. In Alberta there are said to be coal-fields having an area of 65,000 square miles. Iron is found in abundance in both British Columbia and Ontario. Ontario has in its nickel-mines of Sudbury a mineral treasure not found elsewhere in equal abundance in the world. Experts have estimated that 650,000,000 tons of this ore are actually in sight. Ontario produces petroleum and salt. Silver, copper, lead, asbestos, plumbago, mica, etc., are found in varying quantities. Canada imports annually from the United States nearly $10,000,000 worth of coal and coke.

CANADA'S FISHERIES

The fisheries of the Gulf of St. Lawrence and of the shallow waters bordering on Nova Scotia and Newfoundland have for centuries been the most productive in the world. The Canadian fishing interest in these waters is very great. Cod, mackerel, haddock, halibut, herring, smelts, and salmon, are the principal fish, and the annual "take" is about $15,000,000. About $2,500,000 worth of whitefish, salmon-trout, herring, pickerel, and sturgeon are produced annually from the Canadian lakes. The salmon-fishing of the rivers and great sea-inlets of British Columbia brings about $4,500,000 annually. About one half of the total product is exported to Great Britain and the United States.

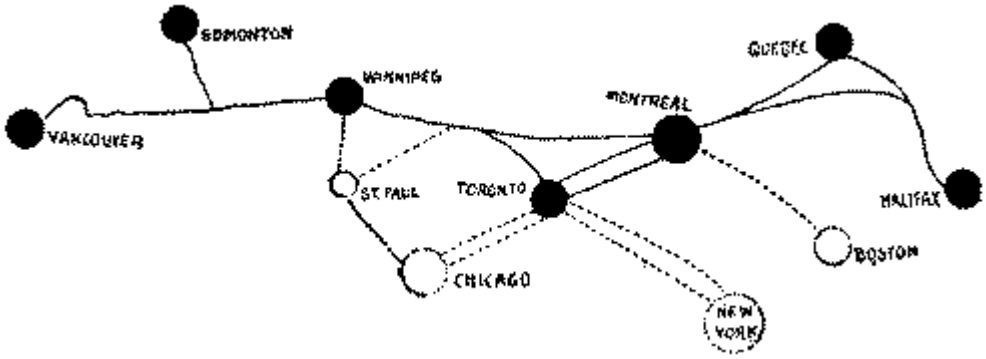
CANADA'S AGRICULTURAL PRODUCE

Agriculture, including stock-raising, dairying and fruit-growing, is Canada's greatest industry. Over 23,000,000 acres are under crop and about 20,000,000 under pasture. Over 3,000,000 acres are under wheat cultivation. Ontario exports more than twice as much cheese as the whole of the United States, and her cheese product is recognised as the finest in the world. Canada exports to Great Britain alone $15,000,000 worth of cheese annually. In 1896, in Ontario alone, 170 creameries turned out over 6,000,000 pounds of butter at an average net receipt of 18¼ cents a pound. By the cold-storage facilities provided by the government Canadian butter can be sent even from far inland points to Liverpool or London without the slightest deterioration. England buys $6,000,000 worth of Canadian bacon and hams annually, and Canadian beef is already famous on the London market. American corn for stock-feeding is admitted to Canada free of duty and about $10,000,000 worth is imported annually. A great deal of eastern and

southern Canada is well adapted to fruit-raising. The Niagara-St. Clair peninsula of Ontario is especially famous for its peaches and grapes.

CANADA'S TRADE WITH THE UNITED STATES

Canada has made a great effort in the direction of encouraging home manufactures, but her most progressive and most staple industries are those concerned in the conversion of the raw products of the country into articles of common merchandise. Her steam horse-power in proportion to population is the largest in the world. The capital invested in factories as a whole amounts to over $400,000,000, with an annual output of over $500,000,000. Her total annual importation is now over $130,000,000. More than half of this is from the United States. Canada's total annual exportation is about $160,000,000. Of this over one third goes to the United States. Canada's total trade with the United States is about forty one per cent. of her total trade with all countries, and almost equal to her total trade with Great Britain. Canada's total trade with the United States is exceeded only by that of Great Britain, Germany, and France, and her import trade with the United States is exceeded only by that of Great Britain and Germany.



Trade centres of Canada and trunk railway lines.

CANADIAN CITIES

MONTREAL (250,000) is the commercial metropolis of Canada. It is situated on an island in the St. Lawrence River, and, though 1000 miles from the open ocean, the largest sea-going vessels reach its wharves with ease. It is the headquarters of Canada's two great railways—the Canadian Pacific system, with its 8000 miles of road, and the Grand Trunk system, with its 5000 miles of road. Through passenger-trains run from Montreal to Vancouver on the Pacific coast, a distance of nearly 3000 miles. Montreal is the centre also of the great inland navigation system of Canada.

TORONTO (200,000), the capital of the province of Ontario, is the second city of Canada. While Toronto has a great local trade and many important manufactures, it is specially noted as an educational centre. QUEBEC (80,000) is the oldest city of Canada and one of the oldest upon the continent. HALIFAX (50,000), the eastern terminus of the Canadian railway system, has one of the finest harbours in the world. WINNIPEG (35,000) is destined to be the centre of the great inland trade of Canada.

XIII. THE TRADE FEATURES OF THE UNITED STATES

THE CHARACTER OF OUR EXPORT TRADE

Having reviewed the industrial and trading conditions of the other great commercial nations of the world, it should now remain for us to review these conditions in the United States. But the United States is so large a country, and its trading and industrial interests are so diversified and extensive, that it would be impossible for us in the limits of our space even barely to touch upon all these interests. So that with respect to the "Trade Features of the United States" we shall simply confine ourselves to one part of the subject—namely, the character, extent, and importance of our foreign trade. And we shall, further, have to restrict ourselves in the main to our exports. These will be found to be principally not manufactures, but the products of our great agricultural, mining, and forest industries. The total value of the manufactures of the United States amounts in round numbers to the immense sum of $10,000,000,000 annually, a sum considerably more than a third (it is thirty five per cent.) of the total value of the annual manufactures of the world. But only a very small portion of this vast output is exported. The greater portion of it is used to sustain the still vaster internal trade of our country, a trade which amounts to more than $15,500,000,000 annually, an amount not far short of being one third of the total internal trade of the world, and not far short of being twice the internal trade of Great Britain and Ireland, the country whose internal trade comes next to ours. Our exports, therefore, are not in the main manufactured goods, but breadstuffs, provisions, and raw materials, the production of our

farms, our plantations, our forests, and our mines. But principally they are the products of our farms and our plantations, for with the exception of cotton we do not export much raw material. Nearly all the raw material we produce (other than cotton) we use in our own manufactures. And even this is not enough, for in addition we have to import considerable quantities of raw material for our manufactures from other countries, the principal items being raw sugar, raw silk, raw wool, chemicals of various kinds including dye-stuffs, hides and skins, lumber, tin, nickel, and paper stock.

OUR EXPORT TRADE IN DETAIL

Our total exportation for the twelve months ended June 30, 1898, amounted to the unprecedented sum of nearly $1,250,000,000 ($1,231,329,950).[4] This is an amount almost a quarter of a billion dollars greater than ever before, the only years when the export even approximated this amount being 1897 and 1892, when the exportation was slightly over a billion dollars in each case. Of this exportation the sum of $855,000,000, or seventy one per cent. of the whole, was for the PRODUCTS OF AGRICULTURE, the principal items being (1) "breadstuffs," including wheat and wheat flour, corn and cornmeal, oats and oatmeal, rye and rye flour, $335,000,000; (2) cotton, $231,000,000; (3) "provisions," including beef and tallow, bacon and hams, pork and lard, oleomargarine, and butter and cheese, $166,000,000; (4) animals, including cattle, horses, sheep, and hogs, $47,000,000; (5) raw tobacco, $23,000,000; (6) oil-cake, $12,500,000, and (7) fruits and nuts, $9,000,000. The exports of the products of our mines amounted to only 1.6 per cent. of the total export, or scarcely $20,000,000, the principal items being (1) coal and coke,

$12,500,000; (2) crude petroleum, $4,000,000, and (3) copper ore. The exports of the products of the forest amounted to only three per cent. of the total export, or $38,000,000, the principal items being (1) sawed and hewn timber, logs, lumber, shingles, and staves, $28,500,000, and (2) naval stores, including resin, tar, turpentine, and pitch, $9,000,000. The exports of the products of our fisheries amounted to only $4,500,000, or less than one half of one per cent. of the total exports. The exports of the products of our manufactures, according to the official returns, amounted to $289,000,000, or twenty four per cent. of the total export. But this sum included many items which represent raw natural products converted merely into material for subsequent manufacture, as, for example, pig- and bar-iron, planed boards, sole leather, ingot- and bar-copper, cotton-seed oil, and pig- and bar-zinc. The principal items in the true "manufactures" list are (1) machinery, including metal-working machinery, steam-engines and locomotives, electrical machinery, pumping machinery, sewing-machines, typewriting-machines and printing-presses, and railway rails, hardware, and nails, $65,000,000; (2) refined petroleum, $50,000,000; (3) manufactures of cotton, $17,000,000; (4) vegetable oils and essences, $12,000,000; (5) agricultural implements, $7,000,000; (6) cycles, $7,000,000; (7) paper and stationery, $5,500,000; (8) furniture and other manufactures of wood, $5,000,000; (9) tobacco and cigarettes, $5,000,000; (10) fertilisers, $4,500,000; (11) boots and shoes, harness, and rubber shoes, $3,500,000; (12) telegraph, telephone, and other instruments, $3,000,000; (13) bags, cordage, and twine, $2,500,000; (14) books and pamphlets, $2,500,000; (15) sugar, syrup, molasses, candy, and confectionery, $2,000,000; (16) spirits, including brandy and whisky, $2,000,000; and (17) clocks and watches, $2,000,000.

FOOTNOTE:

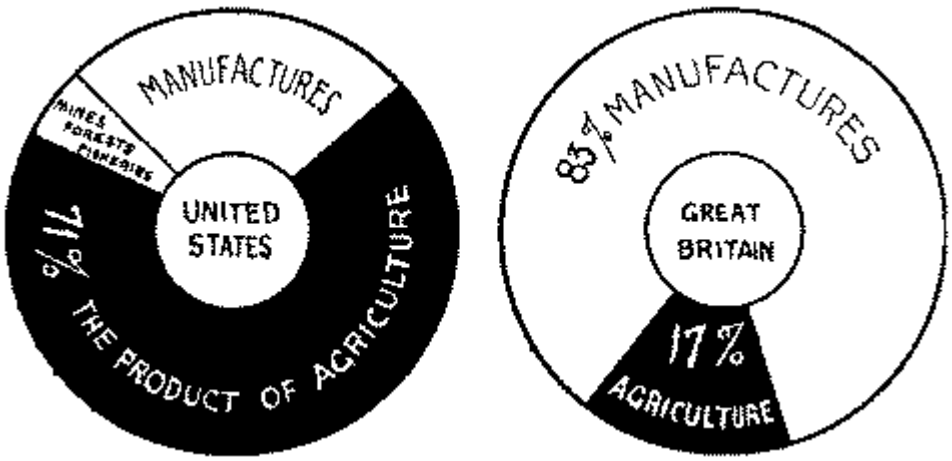
[4]For the year ending June 30, 1899, the total exportation amounted to $1,204,123,134.

OUR EXPORTS AND THOSE OF GREAT BRITAIN COMPARED

The significance of these figures descriptive of our export trade will be better understood from a few comparisons. Our total exportation for the year 1897-8 was, as said before, in round numbers, $1,250,000,000. For the year previous it was over $1,000,000,000. The exportation of Great Britain for the year 1896 was $1,500,000,000. For the year 1897 it was almost the same amount. For the year 1895 it was $1,450,000,000. But whereas our exportation of breadstuffs, provisions, animals, fruit, etc., and of raw materials, such as cotton, lumber, ores, etc., amounts to probably 77 or 78 per cent. of our total exportation, while our exportation of manufactured goods amounts to not more than 22 or 23 per cent., the exportation of breadstuffs, provisions, raw material, etc., which Great Britain makes is not more than one sixth, or 17 per cent., of her total exportation, while her exportation of manufactured goods is five sixths, or 83 per cent., of her total exportation. For example, Great Britain's export of textiles alone amounts to over $500,000,000 a year (for 1896 $526,647,525), while our total export of textiles, including cottons, woollens, silks, and fibres, is not more than $19,000,000 a year. Great Britain's total export of hardware and machinery amounts to over $250,000,000 a year; our total export of these

articles does not amount to more than a third of this sum. On the other hand, Great Britain's total export of raw materials of all sorts is not more than $100,000,000 a year, while ours of cotton alone is almost two and one-third times that sum. And while Great Britain exports no breadstuffs or provisions to speak of, our exportation of these articles (including animals) amounts to the enormous sum of $855,000,000 a year.

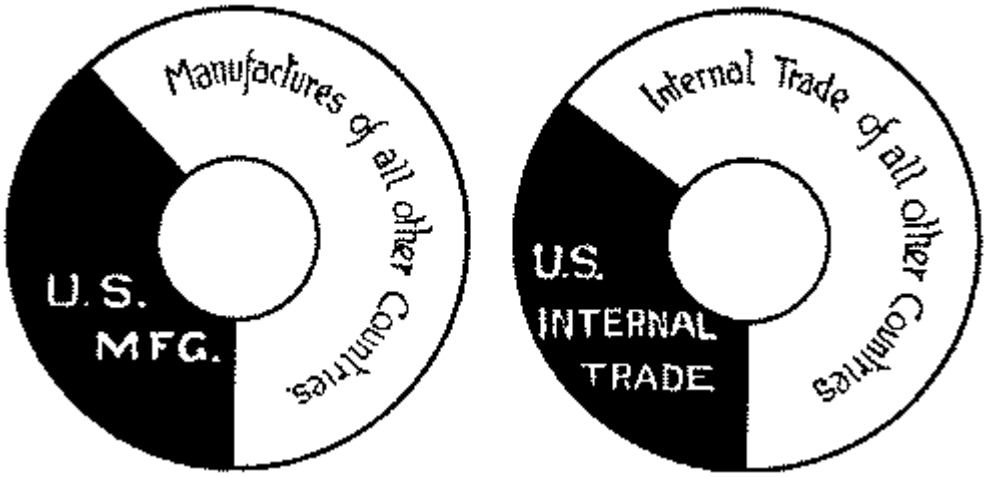
OUR IMPORTS AND THOSE OF GREAT BRITAIN COMPARED



Export trade of the United States and Great Britain compared.

Similar differences with respect to our import trade and that of Great Britain are observable. Our imports do not amount to more than from $600,000,000 to $800,000,000 a year. For the year ended June 30, 1897, they were $765,000,000. For the year ended June 30, 1898, they were $616,000,000. The imports of Great Britain, on the other hand, amount to over $2,000,000,000 a year. For the year 1896 they were $2,210,000,000. For

the year 1897 they were $2,225,000,000. But, while our imports, with the exception of coffee, sugar, tea, fruits, and fish, consist chiefly of manufactured articles, such as woollen goods, cotton goods, silk goods, and iron and steel goods, with only moderate amounts of raw material (for example, hides, skins, and furs, $41,000,000; raw silk, $32,000,000; raw wool, $17,000,000), Great Britain, besides importing coffee, sugar, tea, fruits, and fish, the same as we do, and manufactured goods to a far greater amount than we do (not less than $500,000,000 annually), imports likewise an enormous quantity of raw material for her manufactures, all duty free, and a still more enormous quantity of breadstuffs, provisions, etc., also all duty free. For example, for the year 1897 her imports of raw materials for her manufactures were not less than $750,-000,000, while her imports of duty-free food products were not less than $825,000,000. The difference between the two countries, therefore, so far as their foreign trades are concerned is simply this: The United States is an immense exporter of food-stuffs, and also of raw materials for foreign manufacture; but for the raw materials for her own manufacture she depends principally upon her own products. In comparison she is only a moderate exporter of manufactured goods. Great Britain, on the other hand, is an enormous importer and consumer of food-stuffs and also of raw materials for her manufactures. She, in fact, depends very largely upon other countries for her food products and her raw materials, and obtains them wherever she can, very largely from the United States. She is also an enormous exporter of manufactures.



The United States manufactures and internal trade compared with the manufactures and internal trade of all other countries.

OUR COTTON PRODUCTION AND COTTON EXPORT

The one article of export that is of greatest importance in our commerce is COTTON. The production of cotton in the United States is enormous. It is not far short of 5,000,000,000 pounds per annum. This is probably four times the amount produced upon the whole globe elsewhere. Our export amounts annually to about 4,000,000,000 pounds, with a total value of about $240,000,000. Our greatest competitors in the world's cotton markets are Egypt and India. The export of cotton from Egypt amounts to $50,000,000 annually. The export of cotton from India amounts to $45,000,000 annually. At least one half of our export of cotton goes to Great Britain. Our next greatest customers are (in order) Germany, France, Italy, Spain, and Russia. We send about $7,500,000 worth annually to Japan, and $4,000,000 worth annually to Canada. All our southeastern

States produce cotton, but the States that produce it most plentifully are (in order) Texas (about one third of the whole), Georgia, Mississippi, and Alabama. The area under cultivation in the whole country is about 21,000,000 acres, which is about one sixth of the area devoted to corn, wheat, and oats, or one half the area devoted to hay. The areas of greatest cotton production are (1) the "Yazoo bottom," a strip on the left bank of the Mississippi extending from Memphis to Vicksburg, and (2) the upper part of the right bank of the Tombigbee. The productivity of cotton is much higher in the United States than it is in India, averaging not far short of 200 pounds per acre, as against less than 100 pounds in India. In India, however, the cotton crop has been grown on the same soil for ages, whereas in the United States the practice is to substitute new soils for old ones as soon as crops begin to fail. On the other hand, the United States cotton crop is much less per acre than the crop in Egypt. There the yield per acre is from 300 pounds to 500 pounds. The remedy for this defect of productivity in our cotton crop as compared with that of Egypt is manuring. Where the manuring is properly attended to our cotton crop is comparable with Egypt's. But the cotton of Egypt is of better quality than the great mass of the cotton crop of the United States (the "upland" cotton crop). On the other hand in the low, flat islands off the coast of Georgia and South Carolina a species of cotton grows ("sea-island" cotton) which is the finest in the world, its fibres being the longest, finest, and straightest, of all cotton fibres produced anywhere, and the most beautiful in appearance in the mass. Of this "sea-island" cotton about three to four million dollars' worth is exported annually at a price averaging from two and one fourth to two and three fourth times the value per pound of the "upland" cotton. The great cotton ports of our country are (in order of amount of exportation) New Orleans, Galveston, Savannah, New York,

CHARLESTON, MOBILE, and WILMINGTON. New Orleans' export is about a third of the whole, and Galveston's about a fifth.

OUR PRODUCTION AND EXPORT OF BREADSTUFFS

The item in the official returns that figures largest for exports is that which is set down as BREADSTUFFS. This term includes wheat, corn, oats, rye, and other grains, and the flours or meals made from these. For the year ending June 30, 1898, our total export of breadstuffs was $334,000,000. This is an enormous increase over the year before, when the amount was not quite $200,000,000.[5] A large part of this increase was due to the high prices for breadstuffs which prevailed in the European markets during the past autumn and winter, but a part of the increase was due to an increased acreage and to good crops. The main products that composed this vast exportation were: wheat, $146,000,000; wheat flour, $70,000,000; corn, $75,000,000; cornmeal, $2,000,000; oats and oatmeal, $22,500,000; rye and rye flour, $9,000,000, and barley, $5,500,000. The magnitude of our breadstuffs exportation can be judged from the magnitude and importance of our exports of wheat and flour as compared with those of other countries. Our average WHEAT EXPORT is two and one half times that of Russia, four and one third times that of Argentina, five and one half times that of India, and almost twenty-five times that of Canada, while it is also four and one half times that of all other countries in the world combined. Our FLOUR EXPORT ($70,000,000) is without a rival. The export from Canada is now not much more than $1,500,000 a year, and the export from Hungary not more than $2,500,000 a year, and these are the only countries with which we have to compete in the

western European markets. Still it must be remembered that Hungarian flour, owing to the dryness of the climate in which it is made, is the best in the world, while the flour of Canada made from Manitoba hard wheat is alike unsurpassed. As a rule much more than one half of our total exports of breadstuffs goes to Great Britain. Germany is our next best customer, but her imports of our breadstuffs are not more that a fifth to a tenth of those of Great Britain. France comes next, but her importation of our breadstuffs is still more uncertain, ranging from a half to a hundredth of that of Great Britain. Our other principal customers for our breadstuffs are (1) the other states of Europe, (2) Canada, (3) the countries of South America, (4) the West Indies, (5) Hongkong, (6) the islands of the Pacific, and (7) British Africa. Our exportation of breadstuffs to Japan and China (direct)[6] is still inconsiderable. Since the close of the War of the Rebellion our exportation of wheat has increased thirtyfold and our exportation of flour fifteenfold. Our chief wheat-growing States are Minnesota and California, each with about 50,000,000 bushels a year; then Kansas, North Dakota, Illinois, and South Dakota, each with about 30,000,000 bushels a year; and then Ohio, Indiana, Nebraska, Pennsylvania, Missouri, and Michigan. The best wheat is grown in the deep black soil, rich in organic matter, of the Red River valley of Minnesota, and in the dry, sunny climate of California. The total yield for 1897 was 530,000,000 bushels, which was about 70,000,000 bushels more than recent averages. The estimate for this year (1898) is over 600,000,000 bushels, which was also the yield for 1891. The total area sown to wheat was for several years about 35,000,000 acres, but the average is now increased to about 40,000,000 acres. Large as is the gross production of our wheat, however, the yield per acre is somewhat small, being only from 12 to 13 bushels as against 18 bushels in Ontario, 20 in

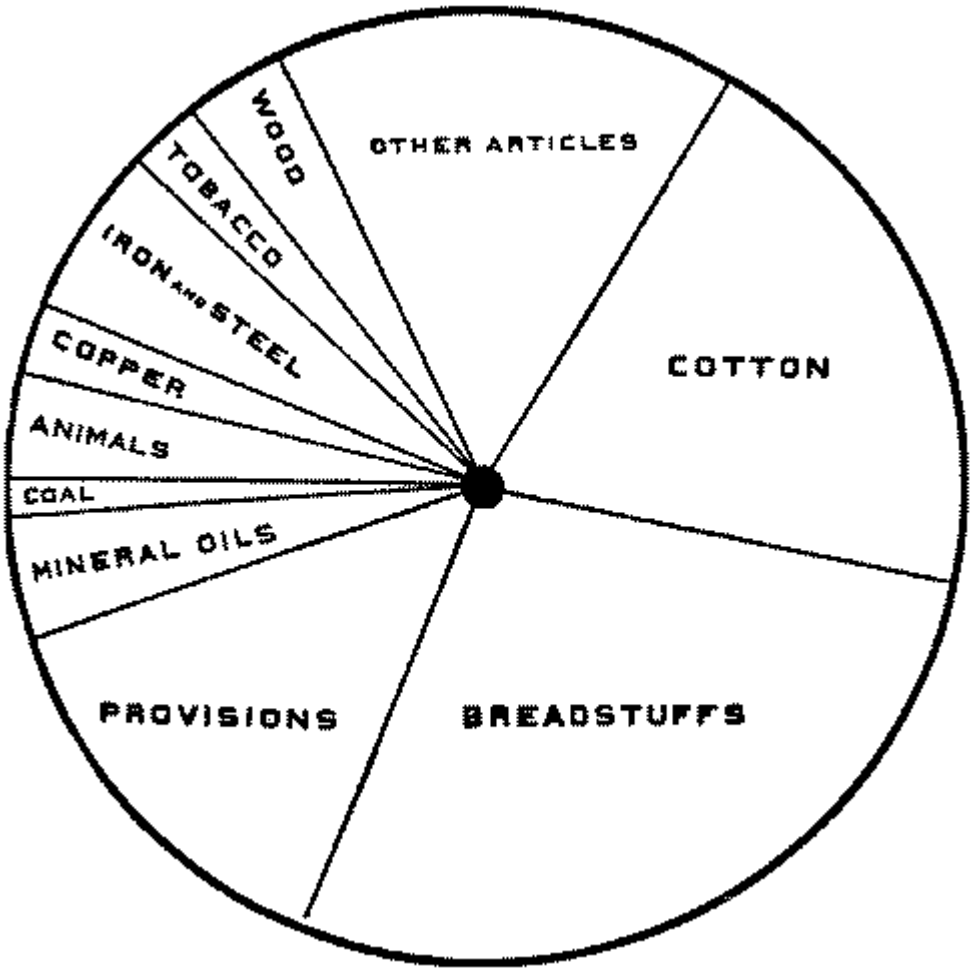
Manitoba, 26½ in New Zealand, and 30 in Great Britain. In fact, the wheat yield per acre is lowest in the United States of all the great wheat-producing countries of the world, except Australia (7 to 11½), Italy (10½), Germany (10¼), India (9¼), and Russia (8). But far greater than our production of wheat is our production of CORN. Of corn we have nearly 85,000,000 acres under cultivation and a production of nearly 2,500,000,000 bushels. Our export of corn, however, is proportionately not large, and figures only to about 210,000,000 bushels a year, with a value (including cornmeal) of about $76,000,000. As is well known, CHICAGO is the great commercial centre of the continent for breadstuffs. NEW YORK is the great port of export for the Atlantic seaboard, SAN FRANCISCO for the Pacific seaboard. DULUTH is the great receiving point for the wheat of the Red River valley and the northern Mississippi. BUFFALO is the great point where the wheat brought down from Chicago, Duluth, etc., in barges, "whale-backs," and immense propellers, is trans-shipped to the small boats of the Erie Canal for carriage to New York. MINNEAPOLIS is the great milling point of the continent, its mills being the largest and most capacious in the world.

FOOTNOTES:

[5]For the year ending June 30, 1899, the amount was $274,000,000.

[6]A portion of the exportation of breadstuffs made to Hongkong is no doubt intended for consumption in China and Japan.

OUR EXPORT OF PROVISIONS AND ANIMALS



Principal articles of domestic exports of the United States.

[7]

FOOTNOTE:

[7]For the year ended June 30, 1898.

The next most important item in our list of exports is PROVISIONS. But, like "breadstuffs," "provisions" also is a composite term, including two main divisions, "meat products" and "dairy products." Practically there are three main divisions, "beef products," "hog products," and "dairy products." We have in these great products of our country an export trade of $165,500,000 per annum, and if we add "animals," a similar item, we have $46,500,000 more, or a total of $212,000,000 per annum. Our export of fresh beef is nearly 300,000,000 pounds a year. Almost the whole of this goes to Great Britain. Our export of canned beef runs from 40,000,000 to 60,000,000 pounds a year. About three fifths of this goes to Great Britain, the remainder going principally to Germany and other parts of Europe and to British Africa. We have about 50,000,000 cattle upon our farms and ranches, and our production of beef is estimated to be the enormous amount of 5,400,000,000 pounds a year, which is between a third and a fourth of the total quantity produced throughout the world. Of course the greater portion of this is retained for our own home consumption, for we eat more meat per inhabitant than any other people in the world except the English. In addition to our beef we export about 400,000 cattle annually, more than seven eighths of which are taken by Great Britain, our other principal customers being the West Indies and Canada. The principal export, however, among our "provisions" is our HOG PRODUCTS. We export annually of these products 100,000,000 pounds of pork, 850,000,000 pounds of bacon and hams, and 700,000,000 pounds of lard, with a value greater than $110,000,000. As with our beef products, so with our hog products—by far the greatest share goes to Great Britain. Great Britain, however, does not import largely of our pork or of our lard. And though she purchases from us over four fifths of our total export of bacon and hams, she does not pay for them so much as she

does for the bacon and hams of Ireland, Denmark, and Canada. The reason for this is that as a rule our corn-fed bacon and hams are too fat—a fault that could be easily remedied. After Great Britain our next best customers for our hog products are Germany (principally in lard), the Netherlands, Sweden, and the West Indies (the latter principally in pork). We keep on our farms from 40,000,000 to 50,000,000 hogs, and our production reaches nearly to 4,600,000,000 pounds of pork, bacon, hams, lard, etc., per annum. A great drawback to our swine-raising industry is the terrible swine plague which so frequently devastates our swine herds. Were this plague stamped out by thorough preventive measures our swine industry would soon become very much larger and more profitable. The third principal item in our provisions export trade is "dairy produce." Our export of butter now amounts to 30,000,000 pounds a year. Our cheese export, once much greater, is now about 50,000,000 pounds a year. As in our beef products and in our hog products so again in our dairy products Great Britain is our chief customer. But our butter export to Great Britain is only one twelfth of her total importation of butter, and our cheese export to Great Britain is only about one eighth of her total importation of cheese. Our cheese has lost its hold on the English market because of its relative deterioration of quality, and its export is not more than a half or a third of what it once was. Much of our butter also is not suited to the English taste. But both our cheese and our butter are now improving in quality. Our great competitor in the cheese export trade is Canada. Canada's export of cheese to Great Britain is $15,000,000 annually, while ours is only a fifth of that amount. Our great competitor in butter is Denmark. Denmark's export of butter to Great Britain is $32,000,000 while ours is not more than a fourteenth of that sum. Our competitors in the markets of Britain for cattle are Canada and

Argentina, but their exports together, however, are less than a third of ours. Our competitors in the British markets for the sale of meats are principally the Australasian colonies and Argentina, but their principal exportation so far is chilled mutton, which they send to Britain to the amount of many million dollars annually (Argentina alone $5,000,000 a year, New Zealand alone $10,000,000 a year), while our exportation of mutton is practically nil. We do, however, export $1,000,000 worth of sheep a year, but in this item we are frequently far exceeded by Canada. CHICAGO is, of course, the great commercial centre of the continent for "provisions" and "live stock," and NEW YORK the great shipping port. Of the entire export trade of the whole country New York does two fifths. BALTIMORE comes next with about one ninth. Then (in order) come PHILADELPHIA, BOSTON, and NEW ORLEANS. The chief centres of our great provision and live-stock trade, other than Chicago, are CINCINNATI, KANSAS CITY, INDIANAPOLIS, BUFFALO, and OMAHA.

OUR FOREIGN CARRYING TRADE

One aspect of our foreign trade is not so well understood as it ought to be. Our foreign commerce is carried on largely in foreign ships. The reason is that no vessel is allowed to be registered as belonging to a United States owner unless she is built in the United States, and it therefore seems as if our ship-builders could not compete (in price) in the building of steel and iron ships with those of Great Britain and Germany. Formerly, when wooden ships were used, our foreign trade was carried on in our own vessels, and our "clipper" sailing vessels beat the world. In 1859 seventy per cent. in value of our foreign trade was carried in American vessels. Since that date the proportion has decreased steadily

until in 1896-97 it was only eleven per cent., and for 1897-98 it was even less than this. During the five years 1881-85 it averaged barely twenty per cent. Taking into consideration tonnage only the proportion at present varies from twenty five to thirty per cent., showing that the American vessels are used for carrying the cheaper sorts of goods. The aggregate tonnage burden of vessels belonging to the United States registered as engaged in the foreign trade 1896 was for 792,870 tons. For the same year the aggregate tonnage burden of vessels belonging to Great Britain engaged in the foreign trade was considerably more than ten times that amount. Of our export trade to Europe United States vessels carry only five and one half per cent., and of our export trade to Africa only four and one half per cent. But of our export trade to Asia and Oceanica our own vessels carry twenty six and one half per cent., while of our export trade to other countries on the American continent our own vessels carry nearly forty per cent. But as our Atlantic trade is seventy six per cent. of the whole, and as our trade elsewhere than on the Atlantic is more than one third carried by sailing-vessels, it is evident how largely our steamship ocean carrying trade has been allowed to fall into the hands of foreigners. Seven tenths of our total export trade, and nearly two thirds of our total foreign trade, both export and import, are carried in British vessels. The next greatest carriers of our foreign trade are, first, the Germans, then ourselves, then the Norwegians, then the Dutch, then the French, then the Belgians.

EXAMINATION PAPERS

NOTE.—*The following questions are given for the purpose of indicating to the student the sort of knowledge he ought to be possessed of after he has*

made a careful study of the papers of the course. The student is recommended to write out carefully the answers to the questions asked. Only such answers need be attempted as can be made from a careful study of the papers.

PART I

1. GREAT BRITAIN. Give as full an account as you can of the causes which have made London the great commercial centre of the world.

2. GREAT BRITAIN. England is said to be "a beehive of mercantile and manufacturing industry." Give reasons for this statement and also show how England has become such.

3. GREAT BRITAIN. (*a*) Describe the foreign trade of Great Britain. (*b*) Describe the steps taken by Liverpool, Manchester, and Glasgow to improve their natural facilities for external trade.

4. FRANCE. (*a*) Describe the conditions which (1) conduce toward, and (2) militate against, France's being a great commercial nation. (*b*) Give an account of the distinctive manufactures of France.

5. GERMANY. (*a*) Give an account of what Germany has accomplished in technical education. (*b*) Compare Germany and France as commercial nations. (*c*) Give a brief account of Germany's foreign trade.

6. SPAIN AND ITALY. (*a*) Why are Spain, Italy, and Turkey sometimes called "the three decadent nations of Europe"? (*b*) Give some account of Spain's foreign trade. (*c*) Give an account of

the conditions that militate against Italy's prosperity as a trading nation.

7. RUSSIA. (*a*) Describe the social condition of the Russian people. (*b*) What are the "artels" of Russia? (*c*) Describe Russia's export trade.

8. INDIA. (*a*) Describe the present condition of the manufactures of India. (*b*) Give a brief account of India's trade—(1) external, (2) internal.

9. CHINA. (*a*) Give an account of China's size, population, and trade resources. (*b*) Give an account of China's present foreign trade. (*c*) Give an account of the trade possibilities of China, and show in what manner an increase of the foreign trade of China is most likely first to occur.

10. JAPAN. (*a*) Describe the transformation which in recent times has been witnessed in the Japanese nation. (*b*) Describe Japan's manufactures. (*c*) Show in what respects an increase in the foreign trade of Japan is presently possible.

PART II

1. AFRICA. (*a*) Describe the "partition of Africa." (*b*) Describe more particularly Great Britain's possessions in Africa. (*c*) Describe South Africa's mineral wealth.

2. AUSTRALIA. (*a*) Describe Australia's "peculiarities." (*b*) Enumerate the political divisions of Australia, and for each describe briefly (1) its climate, (2) its resources and trade.

3. South America. (*a*) Describe the social and political condition of the various peoples of South America. (*b*) Describe the agricultural resources and export trade of Argentina. (*c*) Describe (1) the resources, and (2) the export and import trade, of Brazil.

4. Canada. (*a*) Describe Canada's resources (1) in forest wealth, (2) in minerals, (3) in fisheries. (*b*) Describe Canada's agricultural trade. (*c*) Describe Canada's trade with the United States.

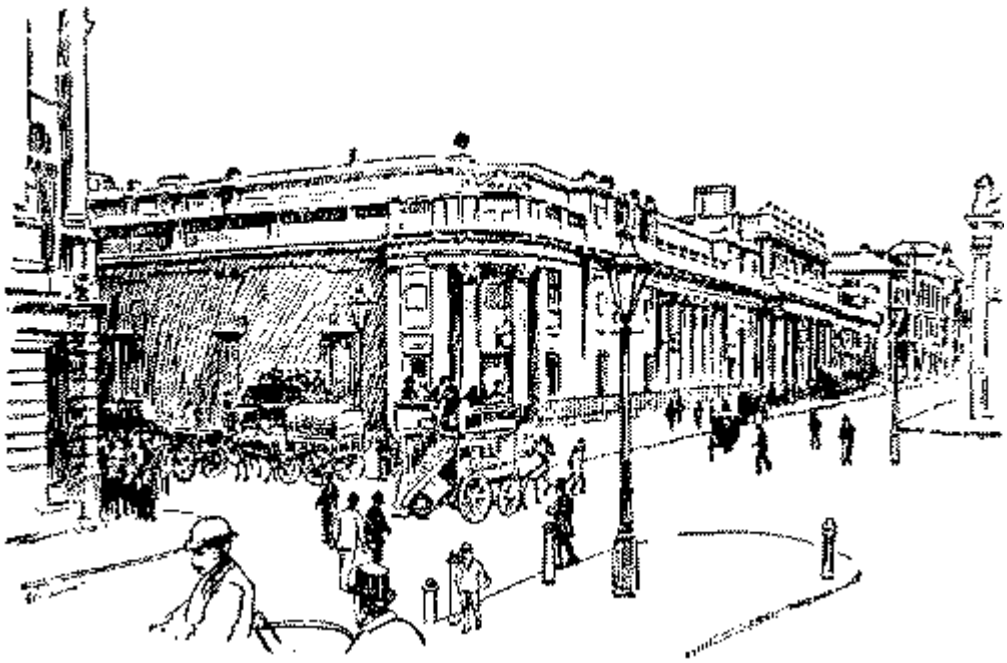
5. The United States. (*a*) Describe the export trade of the United States. (*b*) Compare our export trade with that of Great Britain. (*c*) Compare our import trade with that of Great Britain.

6. The United States. (*a*) Describe our cotton production and our cotton export trade. (*b*) Describe briefly our export trade in "breadstuffs." (*c*) Describe briefly our export trade in "provisions" and "animals."

FINANCE, TRADE, AND TRANSPORTATION[8]

I. NATIONAL AND STATE BANKS

ORIGIN OF BANKING INSTITUTIONS



The Bank of England, showing the Threadneedle Street entrance.

The world has had its bankers and money-changers for thousands of years. Babylonian tablets have been found which record banking transactions

which took place in the reign of Nebuchadnezzar. Modern banking institutions, however, had their origin in the twelfth century. The first institution of this character in Europe was the Bank of Venice, founded A. D. 1171. It was based upon a forced loan of the republic. Funds deposited in it could not be withdrawn, but were transferable on the books at the pleasure of the owners. The Bank of Genoa was founded in 1407, and for many years was one of the principal banks of Europe. It was the first to issue circulating notes; these were negotiable only by indorsement—that is to say, they were not made payable to bearer. This was a long step in advance of the earlier system of deposit transfers which was also employed by this bank. The Bank of Amsterdam, established in 1607, was the earliest considerable institution of the kind which looked to the promotion of commerce. The Bank of Hamburg, established in 1619, was a bank of deposit and circulation based upon fine silver bars. The deposits were confined to silver. The Bank of England is more than 200 years old and is to-day acknowledged to be the greatest financial institution in the world. Nearly all the paper money of England is issued by this bank. This currency is based partly upon securities and partly upon deposits of coin. There are three or four banks in the United States more than one hundred years old. In 1781 Robert Morris, then superintendent of finance, submitted to Congress a plan for the establishment of the Bank of North America at Philadelphia. In 1784 the State of Massachusetts incorporated the Massachusetts Bank. The Bank of New York was chartered in 1791.

FOOTNOTE:

[8]SUGGESTIONS AS TO METHOD OF STUDY

1. Read the lessons as printed very carefully. The aim will be to give fundamental knowledge as to the organisation and conduct of modern business.

2. Books will not be necessary. The student, however, who wishes to make a more thorough study of the national banking system will find excellent chapters on the subject in "Carroll's Principles and Practice of Finance" (New York: Putnams) and "White's Money and Banking" (Boston: Ginn & Co.).

3. Take up the papers of the course paragraph by paragraph and ask yourself the reason why each is introduced. Discuss with your friends the advantages or disadvantages of particular requirements.

OUR NATIONAL BANKING SYSTEM

The national banking system of the United States was established by an act of Congress in 1863, revised in 1864, and amended by later legislation. The great advantage of the system, it is said, is the feature of uniformity, the fact that it brings the banking business of the whole United States under one authority and under the supervision of one set of administrative officers. The note-issuing department is subordinate in its public usefulness to the facilities afforded by banks and clearing-houses for the interchange of credits. The essential features of national banks are briefly set forth as follows:

1. There is a bureau of the Treasury Department having charge of all matters relating to national banks, the chief officer of which is the comptroller of the currency.

2. Any number of persons, not less than five, may form an association for banking purposes, to continue not more than twenty years, but

renewable for twenty years with the approval of the comptroller.

3. The powers of the bank are limited to the discounting of promissory notes, drafts, bills of exchange, and other evidences of debt; receiving deposits, dealing in exchange, coin, and bullion, loaning money on personal security, and issuing circulating notes. It cannot hold real estate except such as may be necessary for the transaction of its business, or such as may have been taken as security for debts previously contracted in good faith.

4. There can be no national banks anywhere of less capital than $50,000, and these small ones are restricted to places of not more than 6000 inhabitants. In cities of more than 6000 and less than 50,000 inhabitants there can be no bank of less than $100,000 capital, and in cities of 50,000 inhabitants or more none of less than $200,000. One half of the capital must be paid in before the bank can begin business and the remainder must be paid in monthly instalments of at least ten per cent. each.

5. Shareholders are liable for the debts of the bank to an amount equal to the par value of their shares in addition to the amount invested therein.

6. Each bank having a capital exceeding $150,000 must deposit in the treasury of the United States registered interest-bearing bonds to an amount not less than $50,000. Those having a capital of $150,000 or less must deposit bonds equal to one fourth of their capital stock. Each bank may issue circulating notes to the amount of ninety per cent. of the market value of the bonds deposited by it, but not exceeding ninety

per cent. of the par value of the same, and not exceeding ninety per cent. of the paid-in capital of the bank; but no bank is compelled to issue circulating notes. No bank-notes shall be issued smaller than $5. The notes are receivable at par for all dues to the United States except duties on imports, and are payable for all debts owing by the United States within the United States except interest on the public debt and in redemption of the national currency.

7. Every bank in certain designated cities, called reserve cities, must keep a reserve of lawful money equal to twenty five per cent. of its deposits. All other banks must keep a like reserve of fifteen per cent., but three fifths of the said fifteen per cent. may consist of balances on deposit in banks approved by the comptroller in the reserve cities.

8. Each bank must keep on deposit in the treasury of the United States lawful money equal to five per cent. of its circulation as a fund for redeeming the same. This five per cent. may be counted as part of its lawful reserve. This does not relieve banks from the duty of redeeming their notes at their own counters on demand.

9. One tenth of the net profits must be carried to the surplus fund until it is equal to twenty per cent. of the capital.

10. A bank must not lend more than one tenth of its capital to one person, corporation or firm, directly or indirectly, nor lend money on the security of its own shares, nor be the purchaser or holder of its own shares unless taken as security for a debt previously contracted in good faith, and if so taken they must be sold

within six months under penalty of being put in liquidation.

11. Each bank must make to the comptroller not less than five reports each year, showing its condition at times to be designated by him, and he may call for special reports from any particular bank whenever he chooses to do so.

12. Each bank must pay to the treasurer of the United States a tax equal to one per cent. per annum on the average amount of its notes in circulation. The shares are liable to taxation by the States in which they are situated at the same rate as other moneyed capital owned by the citizens of such States.

13. Any gain arising from lost and destroyed notes inures to the benefit of the United States.

14. The comptroller has the absolute appointment of all receivers and fixes their compensation. All moneys realised from the assets are paid into the treasury to the credit of the comptroller, and all dividends are paid out by him.

15. Over-certification of cheques is strictly prohibited, rendering officers or clerks liable to imprisonment.

16. National bank directors are by law individually liable for the full amount of losses resulting from violations of the national banking laws.

STATE BANKS

Upon the establishment of the national banking system the greater number of the banks incorporated under the laws of the several States were organised as national banks. With others, however, the rights of issue did not outweigh some inconveniences of the national system, and as a result there is now an important class of banks, and loan and trust companies, organised under State legislation and carrying on a deposit and loan business. The regulations under which they work are necessarily diverse, and the amount of public supervision over them varies in different states. The State banks in existence when the national banking system was organised were obliged to retire their note circulation, owing to the fact that the government imposed a tax of ten per cent. on their circulation. The object of the tax was to secure the retirement of the State bank-notes to make room for the circulation of the national banks. The internal mechanism of State banks differs but slightly from that of national banks.

II. SAVINGS BANKS AND TRUST COMPANIES

SAVINGS BANKS

Nearly $2,000,000,000 is deposited in the savings banks of the United States. This large sum represents the savings of about 5,000,000 people. The primary idea of a savings bank and of the post-office and other forms of saving institutions in foreign countries is to encourage thrift among the masses of the people.

The older savings banks, especially those in the eastern States, have no capital stock. That is to say, they are mutual in their form of organisation. Their capital is the accumulated deposits of a large number of people. The depositors are the owners. When taxes and other expenses are paid and a proper reserve set aside, the remaining profits go in the form of interest to the depositors. Many of the savings banks in the western States are capitalised as are other financial institutions, and on the Pacific coast they have capital stock or its equivalent in the form of a reserve fund in which the majority of the depositors are not interested otherwise than so far as it affords security for their deposits.

As these banks are the custodians of the surplus savings of large numbers of people the laws of the several States have hedged them about with many safeguards, not only for the protection of the depositors but of the institutions themselves. It is eminently right and proper that the State, through its bank commissioners or otherwise, should so far supervise the operations of savings banks as to see that they perform their part of their contract with depositors.

> Safety, at best, is relative only; there is no absolute safety for the twenty-dollar piece a man has in his pocket, whether he is on the street, at his office, or by his own fireside. We are reminded that 'riches take to themselves wings' and that 'thieves break through and steal.' No savings bank can keep money on hand or deposit it or loan it with absolute safety. All is comparative. It is a peculiarity of money that each dollar requires watching; general supervision is insufficient; hence it is that the safety of moneyed institutions depends upon the capacity and honesty of those in control, and not upon adherence to arbitrary rules. No set of rules can be adopted that will bind dishonest men nor that will compensate for want of experience and ability of honest ones.

There is really no conflict between commercial and savings banks. In fact, a large number of the

commercial banks of a country allow interest upon average balances and standing deposits in the same manner as savings banks. Primarily the savings bank creates wealth, while the commercial bank handles it; the savings banks are creative, while the commercial banks are administrative. The aim of the savings bank is to gather money and invest it safely and thus bring profit to the depositor; the aim of the commercial bank is to lend money at fixed charges and thus bring profit to the institution. The former opens its doors to savers, the latter to borrowers. One serves by receiving and keeping and the other by lending. The savings bank aims at making men savers as well as producers. It offers the aid of the strong, who can manage well, to the weak and inexperienced. If the 5,000,000 depositors of savings in the United States were to hide away their own savings nearly $2,000,000,000 would be withdrawn from circulation. The savings bank invests its money. Its managers are as a rule intelligent men, competent to make safe investments in solid securities. The best savings banks are conservative and do not encourage speculation.

The rules and regulations of savings banks differ largely. In some institutions deposits of a dime at a time are accepted; in others a dollar is the limit. Deposits usually begin to draw interest on the first day of each quarter, but they are entitled to it only if they remain until the end of the half-year. Thus money deposited on the 1st of January is entitled to six months' interest on the 1st of July, though it is not entitled to any interest if withdrawn in June. Some few banks allow interest to begin on the 1st of each month. Most savings banks do not permit money to be withdrawn short of thirty days' notice. Students of this course who are interested in securing definite information upon this subject regarding any particular bank should apply to that

bank for a set of its rules and regulations for the information of depositors.

TRUST COMPANIES

There has grown up in this country a class of financial institutions which take a sort of middle ground between the commercial bank and the savings bank, so far as their service to the public is concerned. These are what are known as trust companies. National banks are prohibited by law from making loans on real estate, and though State banks are not hedged in this way, as a matter of good banking they usually avoid loans of this character. The policy of commercial banks is to make a great many comparatively small loans on short-time paper, while that of the trust company is to make large loans on long-time securities. The deposits of trust companies consist largely of undisturbed sums such as might be set aside by administrators, executors, trustees, committees, societies, or from private estates. They are such as are not likely to fluctuate greatly in amount. From the very nature of their deposits trust companies find it convenient and profitable to make larger loans and at longer periods than do ordinary banks. Trust companies not only receive moneys upon deposit subject to cheque and for savings, and loan money on commercial paper and other securities, as do commercial banks; but they also act as agents, trustees, executors, administrators, assignees, receivers for individual properties, and corporations. They frequently assist as promoters or reorganisers of corporations and in the sale of stocks, bonds, and securities. They act also as agents for the payment of obligations maturing at future dates, such as the premiums on insurance, interest on mortgages and bonds, etc. Trust companies are organised under the

laws of the State in which they exist and are usually subject to all the supervision required in the case of State banks.

III. CORPORATIONS AND STOCK COMPANIES[9]

CORPORATIONS

Stock companies are usually referred to as corporations, though all corporations are not stock companies. A corporation is a body consisting usually of several persons empowered by law to act as one individual. There are two principal classes—(1) public corporations and (2) private corporations. Public corporations are not stock companies; private corporations usually are. Public corporations are created for the public interest, such as cities, towns, universities, hospitals, etc.; private corporations, such as railways, banks, manufacturing companies, etc., are created usually for the profit of the members. Corporate bodies whose members at discretion fill by appointment all vacancies occurring in their membership are sometimes called close corporations.

POWER TO BE A CORPORATION IS A FRANCHISE

In the United States the power to be a corporation is a franchise which can only exist through the legislature. There are two distinct methods in which corporations may be called into being: First, by a

specific grant of the franchise to the members, and, second, by a general grant which becomes operative in favour of particular persons when they organise for the purpose of availing themselves of its provisions. When the specific grant is made it is called a charter. In the case of private corporations the charter must be accepted by the members, since corporate powers cannot be forced upon them against their will; but the charter is sufficiently accepted by their acting under it. When special charters are not granted individuals may voluntarily associate, and by complying with the provisions of certain State laws may take to themselves corporate powers. In some of the States private corporations are not suffered to be created otherwise than under general laws, and in others public corporations are created in the same way.

FOOTNOTE:

[9]For a preliminary treatment of the subject of this lesson the student is referred to Part I. of this book, entitled "General Business Information," especially Lessons XII. and XV.

A CORPORATION MUST HAVE A NAME

A corporation must have a name by which it shall be known in law and in the transaction of its business. The name is given to it in its charter or articles of association and must be adhered to. The necessity for the use of the corporate name in the transaction of business follows from the fact that in corporate affairs the law knows the corporation as an

individual and takes no notice of the constituent members.

CORPORATE INTERESTS

In municipal corporations in the United States the members are the citizens; the number is indefinite; one ceases to be a member when he moves from the town or city, while every new resident becomes a member when by law he becomes entitled to the privileges of local citizenship. In corporations created for the emolument of their members interests are represented by shares, which may be transferred by their owners, and the assignee becomes entitled to the rights of membership when the transfer is recorded; and if the owner dies his personal representative becomes a member for the time being. In such corporations also shares may be sold in satisfaction of debts against their owners.

ADVANTAGES OF CORPORATIONS AND JOINT-STOCK COMPANIES OVER PARTNERSHIPS

The following are given as a few of the advantages which are claimed for corporations and joint-stock companies over partnerships:

1. Union of capital without the active service of the investors.

2. Better facilities for borrowing. It is a common thing for a partnership to be changed to a stock company for the express purpose of raising money by the issue of bonds or stock.

3. Limited agency of directors. A partner may pledge and sell the partnership property, may buy goods on account of the partnership, may borrow money and contract debts in the name and on the account of the partnership. Directors of a joint-stock company must act in accordance with the provisions of the by-laws of the company.

4. The continuous existence of a company.

5. New shareholders are admitted more easily than new partners.

6. A retiring partner is still liable for existing debts. A shareholder may retire absolutely by selling his stock and having it legally transferred.

IV. BORROWING AND LOANING MONEY[10]

THE MONEY MARKET

Money, like other articles of commerce, has for hundreds of years had its fields for the production of the raw products, its manufacturing establishments, its markets and exchange centres, its sellers and buyers, its wholesale and retail dealers, and its brokers and commission merchants. Out of this trade in actual coin has grown a trade in paper notes, which are really only promises to pay coin, and out of this latter trade has grown up during recent years a still further enormous trade in securities representing all kinds of property. Very often these securities are based solely upon the credit of the

names attached to them, so that our modern system of borrowing and loaning money is really a system of borrowing and loaning credit. When our government borrows $100,000,000, as it did a few years ago, it gives "its bond" that the money will be paid. When States, or cities, or railroads, or other corporations borrow money they issue bonds guaranteeing payment at a particular time. When an individual borrows money he gives his "bond" in the form of a promissory note. These bonds pass from hand to hand and have a fairly constant value in the money market. They really represent the money trade to a much larger extent than does actual coin, so that the borrowing or loaning of money really means, to a very large extent, simply the borrowing or loaning of credit. If we borrow a $10 gold piece we borrow money; if we borrow a $10 bill or an indorser's name for the back of our note we simply borrow credit—in the one instance the credit of the United States and in the other the credit of the man who indorses our paper.

FOOTNOTE:

[10]The student is also referred to Part I. ("General Business Information"), Lesson IX.

BORROWING FROM BANKS

It is the business of a bank to loan money to responsible persons within reasonable limits. The regular customer of the bank is entitled to and will receive the first consideration if the demand is larger than the bank can safely meet. A business man

should not hesitate, when occasion requires, to offer his bank any paper he may want discounted, if in his opinion it is good, nor should he be offended if his banker refuses to take it even without giving reasons. A portion of the loans of many banks consists of investments in solid bonds, but the bulk of the loans of banks is made on commercial paper. Time and demand loans are made upon collaterals of many descriptions. The larger banks loan on an average from $50,000 to $100,000 a day. Banks *discount* paper for their depositors—and simply term the operation discounting; but when they go outside of their line of depositors in making investments in time paper they call it *buying* paper. They generally buy from private bankers and note brokers. National banks are prohibited from loaning over ten per cent. of their capital to any one individual or corporation except upon paper representing actually existing merchandise.

WHAT ARE COLLATERALS?

If a business man borrow $1000 from a bank on his note and give ten shares of stock to the bank, to be held by it simply as security, the stock thus given would be termed collateral. These collaterals are not the bank's property and the bank is responsible for their safe keeping. If coupons mature while bonds are being held as collateral, the owners are usually allowed to collect the amount for which they sell. Sometimes one note is given as collateral security for another which is discounted.

ACCOMMODATION PAPER

Notes and acceptances that are made in settlement of genuine business transactions come under the head of regular, legitimate business paper. An accommodation note or acceptance is one which is signed or indorsed or accepted simply as an accommodation and not in settlement of an account or in payment of an indebtedness. With banks accommodation paper has a deservedly hard reputation. However, there are all grades and shades of accommodation paper, though it represents no actual business transaction between the parties to it and rests upon no other foundation than that of mutual agreement. No contract is good without a consideration, but this is only true between the original parties to a note. The third party, or innocent receiver or holder of a note, has a good title and can recover its value even though it was originally given without a valuable consideration. An innocent holder of a note which had been originally lost or stolen has a good title to it if he received it for value, the law justly protecting such a holder against the fault or carelessness of others.

NOTE BROKERS

Merchants sell a great many of their notes in the open market—that is, to note brokers. The banks buy these notes from the note brokers. The assistance of the broker who handles commercial paper is a necessary and valuable aid to the purchasing bank. Fully three fourths of all the paper purchased by banks in large cities is purchased upon the simple recommendation of the note brokers. As a rule these brokers simply transfer the paper without guaranteeing by indorsement its payment. Notes bought by banks from note brokers without their indorsement are held to be guaranteed by them to be all right in all points except that which covers

the question of whether they will be paid or not. The bank uses its best judgment in taking the risk. If the note dealer in selling notes to a bank makes what he believes to be fair and honest representations regarding any particular paper—statements of such a straightforward type that upon them no charge of false pretenses can be made to rest—he simply guarantees the note genuine as to names, date, amount, etc., and that in selling it he conveys a good title to the paper. As business men, however, they are very cautious and are exceedingly anxious that the paper they sell shall be paid, and as a rule they make good any losses which grow out of apparent misrepresentations on their part.

BANKERS' RATES FOR LOANS

In loaning money on demand, when it is strictly understood between bank and borrower that the money so advanced is positively minute money—money returnable at any minute when the bank calls for it—banks usually charge low rates of interest. When interest rates are high bankers prefer to deal in long-time paper. This general rule is reversed when the situation is reversed. Bankers aim also to scatter and locate their maturities so that as the seasons roll around they will not have very large amounts maturing at one time and very small amounts at another. They plan also to be "in funds" at those seasons when there is always a large and profitable demand for money. For instance, in the centres of the cotton-manufacturing interest the banks count on a large demand for money between October and January, when the bulk of the purchases to supply the mills are made. Again, among those who operate and deal in wool there is an active demand for money in the wool-clip in the spring months. The wheat and corn crops are

autumn consumers of money. Midwinter and midsummer in the north are usually periods of comparative stagnation in the money market. All these things affect rates, and the successful banker is he who from observation and large experience shows the most skill in timing his money supply.

V. COLLATERALS AND SECURITIES

TWO DISTINCT CLASSES OF SECURITIES

There are two distinct classes of mortgage securities —one class based upon the actual value and the other upon the earning value of the property. When a man lends money upon a dwelling-house he bases his estimate of security upon (1) the cost of the property, (2) its location, (3) the average value of adjoining properties, and (4) the general character of the locality; that is to say, the value of the property is the basis of the security. On the other hand, the lender of money upon railway mortgages, for instance (that is, the buyer of securities known as railway mortgages), considers the general earnings of the road rather than the cost of building and equipping the road as the correct basis upon which to estimate the value of the security. These two classes of securities differ in other particulars. The value of the mortgage upon ordinary real estate is constant and the security itself is not so likely to change ownership, while the value of the railway mortgage may vary with the success or failure of the road, and the security itself is in the market constantly as a speculative property. The whole property of a railroad company, considered simply as real estate and equipment, is usually worth but a

small fraction of the amount for which it is mortgaged. The creditors, as a rule, depend for the security of their money upon the business of the company.

We have already learned that collaterals are mortgages, stocks, bonds, etc., placed temporarily in the hands of lenders as additional security for money borrowed. The student will note, further, that the borrowing value of such securities depends very largely upon the character of the property represented.

MORTGAGES AS SECURITIES

A MORTGAGE is a conveyance of property for the purpose of securing debt, with the condition that if the debt is paid the conveyance is to become void. A mortgage in form is really a deed of the land, with a special clause stating that the grant is not absolute but only for the security of the debt. It is usual for the debtor at the time of executing the mortgage to execute also a bond or promissory note in favour of the creditor for the amount of the debt. This is called a MORTGAGE NOTE. Mortgages are frequently given in cases where there is a debt existing to secure or indemnify the mortgagee against some liability which he may possibly incur on behalf or for the benefit of the mortgagor. For instance, when a man has indorsed another's note for the latter's accommodation or gone on his bond as surety the latter may execute to the former a mortgage of indemnity. The power of a corporation to mortgage its property is usually regulated by its character or by the general law under which it is organised. All mortgages must be recorded in the office of the register of deeds for the county in which the property is located. The object of recording is to

give notice of the existence of the mortgage to any one who might wish to purchase the land or to take a mortgage upon it. There may be several mortgages upon the same property. The first mortgagee is entitled to be paid in full first, then the second, and so on. The mortgagee may use his mortgage as security for loans or he may assign it as he pleases. When the requirements of a mortgage are not met the holder has under certain conditions the right to FORECLOSE—that is, to advertise the property for sale and, within a time fixed by law, to sell it to satisfy the mortgage. It is usual for the mortgagor to insure the property for the benefit of the mortgagee.

Although the terms of corporation mortgages are similar to those on real estate such as is represented by dwelling-houses, the commercial conditions make it inconvenient or impossible to foreclose and sell such properties. To stop all business of a railway or to shut down the work of a manufacturing concern would not only result in injury to the public but would reduce largely the earning value of the property. To overcome this difficulty where an active concern is financially embarrassed, the court appoints a receiver, who is responsible for the proper conduct of the business until a satisfactory reorganisation or sale is accomplished.

Mortgages upon improved property, if properly graduated in amount, should be safe and profitable investments. The buyer, however, must exercise great care and good judgment. Should there be collusion between the loaning agent and the land-owner, the money advanced may be largely in excess of the actual property value. Villages with less than a dozen houses are often the sites of investment companies doing business under pretentious names and offering mortgage investments at interest rates which by the local conditions are impossible. One of the devices of

these enterprising companies is to offer their own guarantees as to both principal and interest of all mortgages negotiated by them. The investor should be sure of two things: (1) The safety of the principal, and (2) regularity in the payment of the interest. There is great danger of default from causes not anticipated by the mortgagor and over which he has no control.

STOCKS AS SECURITIES

To make a profitable investment in stocks the buyer must anticipate the future. A mill that may be working day and night this year may be obliged to shut down entirely next year. A business which is open to public competition must take its chances on its future success. The greater the earnings, the more certain the competition. Many corporations owning monopolies by virtue of patent rights have made large fortunes, but there is always the possibility of new discovery. Electricity has succeeded gas; the telephone is competing with the telegraph; the trolley is cutting into the profits of railways. A good thing in stocks to-day does not necessarily mean a good thing next year. Railroad stocks are of such varied character that it is impossible here to make more than general statements. Many of our railroad stocks bring prices far above par and pay liberal interest on investments. Some of them are so profitable that they are really not on the market and cannot easily be bought. Others represent roads loaded down with mortgages and other obligations so heavy as to make the stock really a liability rather than a resource to its owner. The stock quotations represent in a general way the comparative value of these securities. Of recent stock electric-railway stock is the most popular and in many instances the most profitable. The introduction of electric power

has reduced the working expense one half and in most instances has doubled the traffic without any reduction in fares. The buyer should make sure that the road is in a busy community able to sustain it, that its franchise will protect it from dangerous competition, and that the securities have been legally issued.

SUBSTITUTION SECURITIES

There have recently been formed several large companies whose business it is to issue bonds on the security of other bonds. The idea is similar to that of real-estate title insurance. Such companies are supposed to have superior facilities for investigating securities. They purchase those which they consider good and at the best prices possible. These they deposit with some trust company or banking institution. With these bonds which they buy as their original property they issue new bonds of their own, which they sell to the public and which they guarantee. The differences in prices and in interest make up their profits.

LOANS AND INVESTMENTS

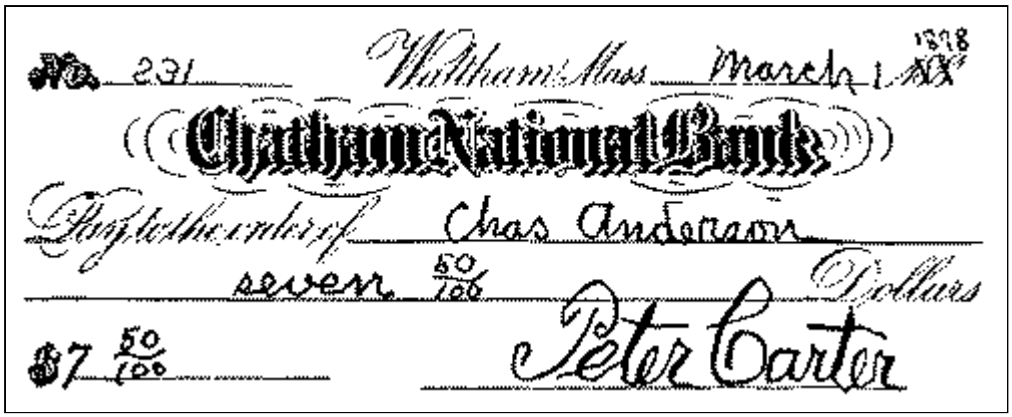
With the growth of wealth we find increasing numbers of persons who want to invest their means in good securities. To do this successfully and safely is a very difficult question. It is even more difficult to keep money profitably employed than to make it. Changes and innovations are of continual occurrence. Not only are new securities constantly coming upon the market, but new subjects as a basis of their production are industriously sought after.

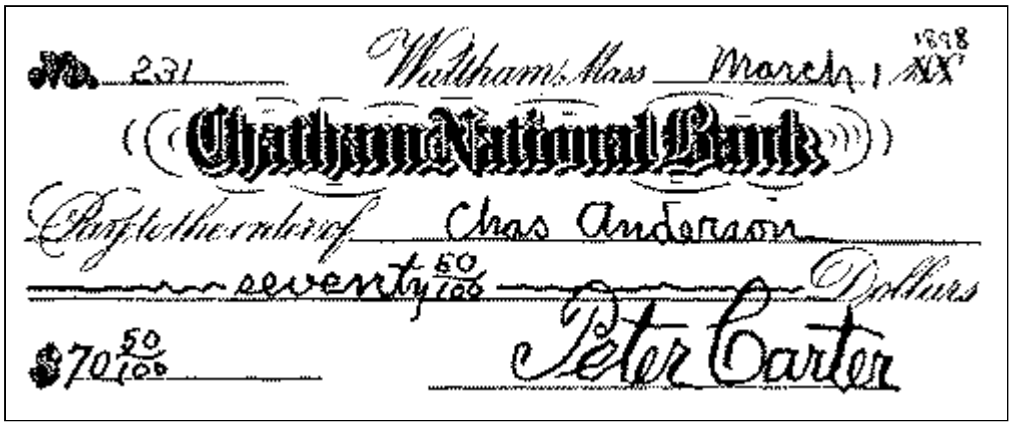
Every newly discovered force or process in mechanics means the appearance of another detachment of paper securities. The War of the Rebellion popularised the *coupon bond*, in consequence of its adoption by the government, and made it the favourite form of investment paper. Railroads and other corporations soon availed themselves of the confidence which that species of paper inspired, and States, cities, and counties were soon flooding the country with obligations carrying long coupon attachments. Many persons have purchased and paid good prices for mortgage coupon bonds, giving them no control over their security, who would have rejected share certificates standing for an equal interest in the property pledged and giving them the right to participate in its management, with the possibility of a greater return for their money. Many of the States through careless legislation have permitted corporations to decide for themselves the amounts of obligations they might put out, and the privilege has been very much abused. We now have stocks and bonds upon the market representing nearly all conceivable kinds of property—telegraph and telephone companies, mining companies, cattle ranches, grain farms, water-works, canals, bridges, oil- and gas-wells, electric lighting, trolley companies, factories and mills, patent rights, steamboat lines, apartment-houses, etc. Not only are properties of many kinds used to issue bonds upon, but many kinds of bonds are often issued upon the same properties. One issue of bonds is sometimes made the basis of other issues. Some one has said that there never was a time in the history of the world when it was so easy to invest money—and to lose it. Of the securities that are offered with first-class recommendations it is probable that about one third are actually good, one third have some value, and one third are practically worthless. In making investments the first and main thing to be studied is safety. Never

buy a security of any kind without having read it. Do not buy what are commonly known as *cheap securities*. Do not rely solely upon the advice of a broker; he may have personal interest to serve. By far the greater number of losses to investors have been in securities purchased exclusively on the recommendation of interested commission men. It is a mistake to give preference to *listed* securities—that is, those reported on the stock-exchange lists. Stocks are too often listed simply for speculative purposes, and the price represents not so much the value of the property as the pitch of the speculation at the time. Securities in the long run must stand upon their merits. As a rule the best time for an experienced investor to buy is when others are unloading.

VI. CHEQUES, DRAFTS, AND BILLS OF EXCHANGE[11]

BANK CHEQUES





Showing cheque raised from $7.50 to $70.50.

A CHEQUE is an order for money, drawn by one who has funds in the bank, payable on demand. Banks provide blank cheques for their customers and it is a very simple matter to fill them out properly. In writing in the amount begin at the extreme left of the line. The illustrations given here show a poorly-written cheque and a copy of the same cheque after it has been "raised." The original cheque was for $7.50 and shows very careless arrangement. It was a very easy matter for the fraudulent receiver to change the "seven" to "seventy" and to add a cipher to the amount in figures. The running line was written in on the raised cheque to deceive the bank.

In this case Mr. Carter and not the bank must suffer the loss. Mr. Carter cannot hold the bank responsible for his carelessness. Drawers of cheques should exercise the greatest care in writing in the amount to prevent changes or additions. Draw a running line, thus: ~~*Nine*~~ before and after the amount written in words. If the words are commenced close to the left margin the running line will be necessary only at the right. The signature should be in your usual style familiar to the paying teller. The plain, freely written signature is the most difficult to forge. Usually cheques are drawn "to order." The words "Pay to the order of John Brown" mean that the money is to be paid to John Brown or to any person he "orders" it paid to. By indorsing the cheque in blank (see indorsements) he makes it payable to bearer. If a cheque is drawn "Pay to bearer" any person—that is, the bearer—can collect it. The paying teller may ask the person cashing the cheque to write his name on the back, simply to have it for reference. Safety devices to prevent the fraudulent alteration of cheques are of almost endless variety, but there has not been a preventive against forgery and alterations yet invented, which has not been successfully overcome by swindlers. A machine for punching out the figures is in common use, but the swindler has successfully filled in the holes with paper-pulp and punched other figures to suit his purposes. The safest cheques are those carefully written upon what is known as safety paper.

FOOTNOTE:

[11]A part of the matter of this lesson has already appeared in Part I. of this book

("General Business Information"), but it is here repeated to preserve the connection.

IDENTIFICATION WHEN CHEQUES ARE PAID

The banks of this country make it a rule not to cash a cheque that is drawn payable to order unless the person presenting the cheque is known at the bank —or unless he satisfies the paying teller that he is really the person to whom the money is to be paid. It must be remembered, however, that a cheque drawn to order and then indorsed in blank by the payee is really payable to bearer, and if the paying teller is satisfied that the payee's signature is genuine he probably will not hesitate to cash the cheque. In England all cheques apparently properly indorsed are paid without identification. In drawing a cheque in favour of a person not likely to be well known in banking circles, write his address or his business after his name on the face of the cheque. For instance, if you should send a cheque to John Smith, Boston, it may possibly fall into the hands of the wrong John Smith; but if you write the cheque in favour of "John Smith, 849 Tremont Street, Boston," it is more than likely that the right person will collect it. If you wish to get a cheque cashed where you are unknown, and it is not convenient for a friend who has an account at the bank to go with you for the purpose of identification, ask him to place his signature on the back of your cheque and it is likely you will not have trouble in getting it cashed. By placing his signature on the back of the cheque he guarantees the bank against loss. A bank is responsible for the signatures of its depositors, but it cannot be supposed to know the signatures of indorsers. The reliable identifier is in reality the person who is responsible.

CHEQUES FOR SPECIAL PURPOSES

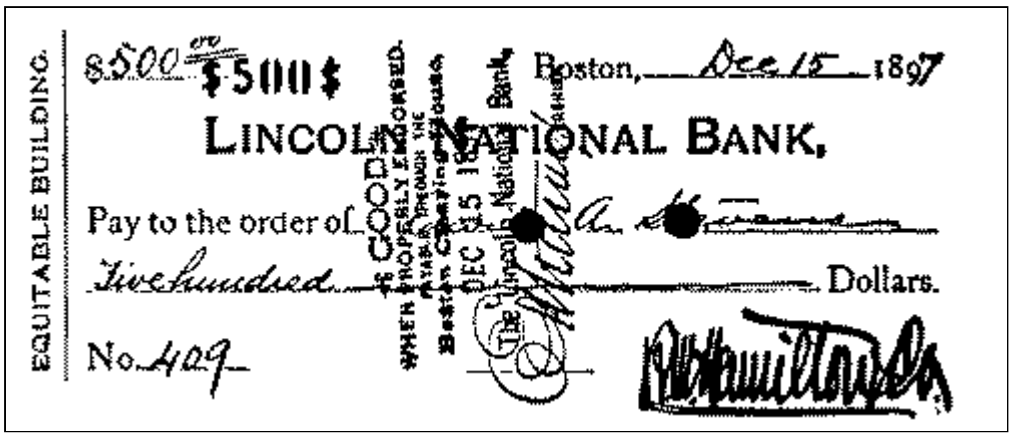
If you wish to draw money from your own account the most approved form of cheque is written "Pay to the order of *cash*." This differs from a cheque drawn to "*bearer*." The paying teller expects to see you yourself or some one well known to him as your representative when you write "*cash*." If you write "Pay to the order of (your own name)" you will be required to indorse your own cheque before you can get it cashed. If you wish to draw a cheque to pay a note write "Pay to the order of *bills payable*." If you wish to write a cheque to draw money for wages write "Pay to the order of *pay-roll*." If you wish to write a cheque to pay for a draft which you are buying write "Pay to the order of *N. Y. draft and exchange*," or whatever the circumstances may call for.

CHEQUE INDORSEMENTS

In indorsing a cheque remember that the left end of the face is the top when you turn it over. Write your name as you are accustomed to write it. If you are depositing the cheque, a blank indorsement—that is, an indorsement with simply your name—will answer; or you can write or stamp "Pay to the order of (the bank in which you deposit)" and follow with your signature. Either indorsement makes the cheque the absolute property of the bank. If you wish to transfer the cheque by indorsement to some particular person write "Pay to the order of (naming the person)" and follow with your own signature; or you may simply write your name on the back. The latter form would be considered unwise if you were sending the cheque through the mail, for the reason that a blank indorsement makes the cheque payable

to bearer. An authorised stamped indorsement is as good as a written one. Whether such indorsements are accepted or not depends upon the regulations of the clearing-house in the particular city in which they are offered for deposit.

THE NUMBERING OF CHEQUES

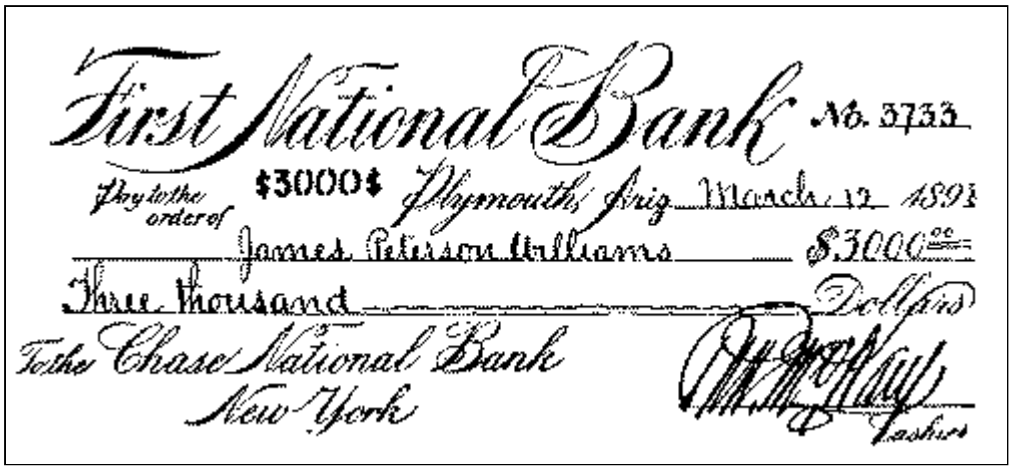


A certified cheque.

Cheques should be numbered, so that each can be accounted for. The numbers are for your convenience and not for the convenience of the bank. It is important that your cheque-book be correctly kept, so that you can tell at any time how much money you have in the bank. At the end of each month your small bank-book should be left at the bank, so that the bookkeeper may balance it. It may happen that your bank-book will show a larger balance than your cheque-book. You will understand by this, if both have been correctly kept, that there are cheques outstanding which have not yet been presented at your bank for payment. You can find out which these are by checking over the paid cheques that have been returned to you with your

bank-book. The unpaid cheques may be presented at any time, so that your actual balance is that shown by your cheque-book. Cheques should be presented for payment as soon after date as possible.

CERTIFIED CHEQUES


First National Bank No. 3733

Pay to the order of 3000 Plymouth, Ind. March 12 1891

James Pettisson Williams $3000 00

Three thousand Dollars

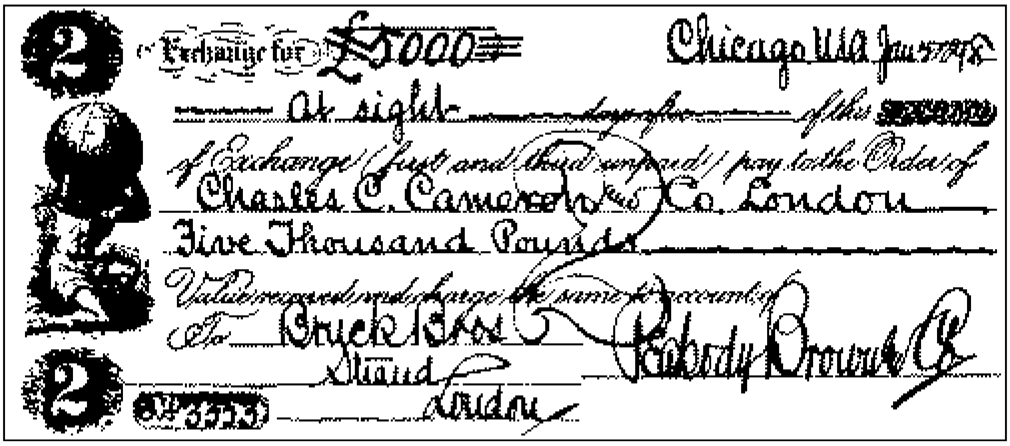
To the Chase National Bank
New York

Cashier

A bank draft.

If you wish to use your cheque to pay a note due at some other bank than your own, or in buying real estate or stocks or bonds you may find it necessary to get your cheque certified. This is done by an officer of the bank, who writes or stamps across the face of the cheque the words "Certified" or "Good when properly indorsed" and signs his name. (See illustration, p. 244.) The amount will immediately be deducted from your account, and the bank by guaranteeing your cheque becomes responsible for its payment. If you should get a cheque certified and then not use it deposit it in your bank, otherwise your account will be short the amount for which it is drawn.

BANK DRAFTS



A bill of exchange.

Nearly all banks keep money on deposit in other banks in large commercial centres—for instance, in New York or Chicago. They call these banks their New York or Chicago correspondents. A bank draft is simply the bank's cheque drawing upon its deposit with some other bank. (See illustration, p. 245.) Banks sell these cheques to their customers, and merchants make large use of them in making remittances from one part of the country to another. These drafts or cashiers' cheques, as they are sometimes called, pass as cash anywhere within a reasonable distance of the money centre upon which they are drawn.

BILLS OF EXCHANGE

A draft on a foreign bank is commonly called a bill of exchange. Bills of exchange are usually drawn in duplicate and sometimes in triplicate. (See illustration, p. 246.) Only one bill is collected, the

others simply serving in the meantime as receipts. These bills are used to pay accounts in foreign countries, just as drafts on New York or Chicago are used to pay indebtedness at home.

VII. THE CLEARING-HOUSE SYSTEM[12]

THE CLEARING-HOUSE SYSTEM A MODERN INSTITUTION

The clearing-house is a comparatively modern institution, the Edinburgh bankers claiming the credit of establishing the first one. The earliest clearing-house of whose transactions we have any record is that of London, founded about 1775. For fully seventy-five years the London clearing-house and that of Edinburgh were the only organisations of the kind known to exist. The monetary systems of most European countries centring around one great national bank located at the capital of each, found in this a means of effecting mercantile settlements. The New York clearing-house was established in 1853, from which date the American clearing-house system has grown to enormous proportions. No country in the world has so large a need of clearing-houses, for in no country is the bank cheque so generally used in the payment of ordinary accounts.

TRANSFER OF CREDITS IN CLEARING-HOUSES

The purpose of the clearing-house is largely to facilitate the transfer of credits. This is explained by the following illustration: Suppose that Brown and Smith keep their money on deposit in Bank A and that Brown gives Smith his cheque for $100 and Smith deposits it in the bank to his (Smith's) credit. The officers of the bank will subtract $100 from Brown's account and add the same amount to Smith's account. No actual money need be touched. It is simply a matter of arithmetic and bookkeeping. Credit has been transferred from Brown to Smith. If all the people of a city kept their money in one central bank there would be no need of a clearing-house. The bookkeepers of the bank would be kept busy transferring credits from one customer to another on the books of the bank. But if Brown keeps his money in Bank A and Smith keeps his money in Bank B it is necessary that Bank A and Bank B come together somewhere to conveniently make the credit transfer, and this is practically what they do in the clearing-house. Then, again, if Bank A should be located in San Francisco and Bank B in Boston, the difficulty of transfer of credit is greatly increased.

Through the agency of clearing-houses located in money centres and of co-operation between banks at distant points, the transfer of credits between business men located anywhere in the United States, or for that matter in the world, has become a comparatively simple matter. If it were not for the agency of this system it would be utterly impossible for a great city to do the business of a single day. All the actual money in all the banks and stores and safes and pockets of New York City to-day would fall far short if used to pay to-day's transactions. It is estimated that the cash transactions of a single day are fifty times greater than the actual cash changing hands in one day. So that the great bulk of the business of the country, both cash and credit, is done

on a system of credit transfers made possible wholly through the agency of our banking system.

FOOTNOTE:

[12] See also Lesson VIII. of Part I. of this book ("General Business Information").

ORGANISATION OF CLEARING-HOUSES

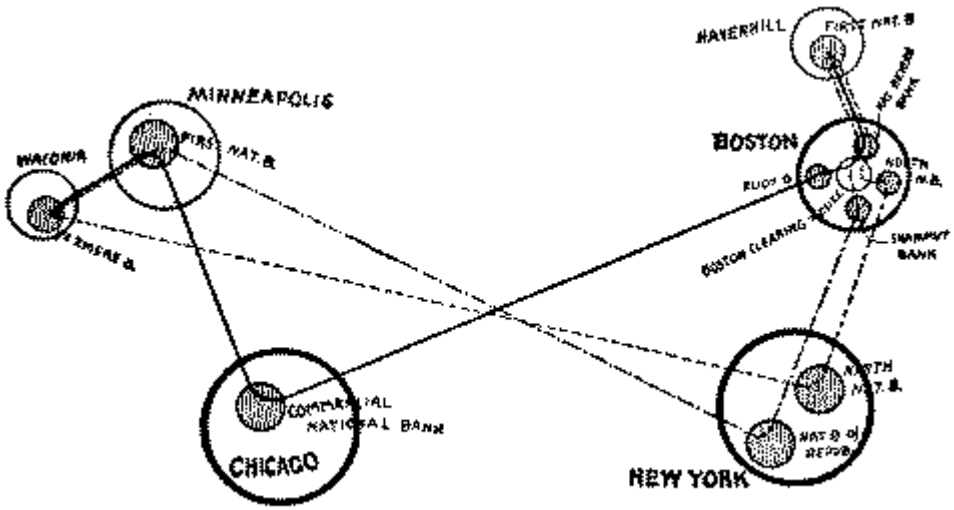
Each large city has its clearing-house system. To establish a clearing-house a number of banks associate themselves together, under certain regulations, for the purpose of exchanging daily at one time and place the cheques and other commercial paper which they hold against each other. The usual officers are a president, a secretary, a treasurer, and manager, and a clearing-house committee. The cheques, etc., which the banks take to the clearing-house are called the clearing-house exchanges, and the total amount of paper exchanged is called the day's clearings. Those banks which bring a less amount than they take away are obliged to make the difference good in cash or its equivalent within a fixed time upon the same day. Suppose, for illustration, that a clearing-house association consists of five banks—A, B, C, D, and E—and that Bank A took to the clearing-house cheques against B, C, D, and E amounting to $20,000, and that B, C, D, and E took to the clearing-house cheques against A amounting to $21,000. Then A is on this particular day a debtor bank, and owes the clearing-house, or the other banks through the clearing-house, $1000. The payment of the balances by the debtor banks

and the receipt of the balances by the creditor banks complete each day's transactions. As the total amount brought to the clearing-house is always the same as the amount taken away, so the balances due from the debtor banks must be exactly equal to the amounts due the creditor banks. The clearings in New York City in one day amount to from $100,000,000 to $200,000,000, and the actual cash handled, if any, need only be for the actual debit balances. Usually once a week (in some cities oftener) the banks of a city make to their clearing-house a report, based on daily balances, of their condition. The clearing-house establishes a fellowship among banks that has already proved in times of money panics of the greatest service to themselves and the community.

PAYMENT OF BALANCES IN CLEARING-HOUSES

Clearing-house certificates are made use of in many cities for the payment of balances by debtor banks. These are issued against gold deposited with one of the associated banks. They are numbered, registered, and countersigned by the proper officer, and are used only in settlements between the banks. Various methods of making settlements are in use. In some of the cities the balances are paid by drafts on New York or other money centres. The debtor bank sells some creditor bank New York exchange, and receives in return a cheque or order on the clearing-house, which when presented makes the debits and credits balance. It is estimated that the actual cash employed in New York clearings is less than one half of one per cent. of the balances.

HOW DISTANT BANKS ARE CONNECTED BY THE CLEARING-HOUSE SYSTEM



Illustrating cheque collections.

To illustrate the connection between banks at distant points let us suppose that B of Haverhill, Mass., who keeps his money on deposit in the First National Bank of that city, sends a cheque to S of Waconia, Wis., in payment of a bill. S deposits the cheque in the Farmers' Bank of Waconia and receives immediate credit for it in his bank-book, just the same as though the cheque were drawn upon the same or a near-by bank. The Farmers' Bank deposits the cheque, with other cheques, in, say, the First National Bank of Minneapolis, or it may send the cheque to its correspondent in New York—say the Ninth National—asking to be credited with the amount. For sake of illustration, suppose that the cheque is deposited with the First National of Minneapolis. Now, this bank has a correspondent in Chicago—the Commercial National—and a correspondent in New York—the National Bank of the Republic. If sent to the Commercial National,

this bank has a correspondent in Boston—the Eliot Bank, where the cheque would be sent. Now, the First National of Haverhill has a correspondent in Boston—the National Revere Bank. The Eliot Bank would likely take this cheque to the Boston clearing-house as a charge against the Revere Bank. The Revere Bank would deduct the amount from the First National of Haverhill's deposit and send the paid cheque to the Haverhill Bank, where at the close of the month it would be handed to B, showing on the back the indorsement of S, and stamping representing all the banks through whose hands it passed. If the Farmers' Bank of Waconia had sent direct to its New York correspondent, the Ninth National, this bank would have sent to its Boston correspondent, the North National, and the cheque would have been charged up through the clearing-house against the Revere Bank. If the First National of Minneapolis had sent direct to its New York correspondent, the National Bank of the Republic, this bank would have sent to its Boston correspondent, the Shawmut National, etc. As a rule, banks collect by whatever route seems most convenient or advantageous. It is estimated that millions of dollars are lost to the banks each year on account of the time consumed by cheques en route.

VIII. COMMERCIAL CREDITS AND MERCANTILE AGENCIES

HOW THE WORLD'S TRADE IS LARGELY TRANSACTED UPON CREDIT

It is estimated that about ninety per cent. of the world's trade is transacted upon credit. And in no

country of the world are commercial credits so freely granted as in the United States. This is a land of seemingly unlimited faith in humanity, and yet a land in which hazardous speculation, extravagance, and bankruptcy have often prevailed. Statistics show that about ninety-five per cent. of our merchants "fail to succeed," and yet no other country can boast of such wealth, industrial energy, and generous confidence in business integrity. While credit is not money, in that it cannot settle a debt, it must be considered a very powerful agent in the creation of capital. Credit is another name for trust. The business world bases its confidence or trust in men upon their character and resources. And the extent of this trust becomes the only limitation of the business man's purchasing power. He who can show conclusively the ability and disposition to fulfil obligations, has it within his power to command the capital or merchandise of others. Credit is one of the fruits of a higher civilisation and a settled condition of a country's business. It bespeaks a quality of government, too, that is not to be depreciated. The nations that are most successfully and equitably governed and show the most stable conditions of currency also show us the most extensive and efficient credit systems. It is abundantly true that these same nations have on many occasions passed through periods of great distress from failures widespread and panics severe, but it must also be borne in mind that these very bankruptcies are more often the abuse of prosperity than the product of adversity. Over-confidence in men and things has resulted in speculation and precipitated bankruptcy. And if it be urged that to the undue expansion of credit is traceable the greater number of our financial disasters, it may be said with still greater force that all our impetus to industrial achievement has been and still is dependent upon the generous exercise of credit. The construction of our railroads and canals, the operation of our mines, the

improvement of our great farm areas, the building of our towns and cities, and the development of our extensive manufacturing interests are all the result of the trust reposed in men and the industrial interests they represent.

THE IMPORTANCE OF A HIGH STANDARD OF CREDIT TO BUSINESS MEN

Reticence on the part of business men respecting their financial position may seriously impair their credit. It is universally regarded by the intelligent business man to be good policy to make known his condition. A refusal to do so throws a suspicion and doubt upon his financial ability, and at some future time when confidence in his integrity may be essential to the very life of his business, he may find the necessary help unobtainable. An applicant for credit should be willing to prove himself worthy of it. But the keen competition among merchants eager for sales often enables the buyer to obtain credit without the necessity of giving very much evidence as to his commercial standing. Since some risks must be taken merchants frequently conclude to accept an account because of its possible acceptance by some competitor. If business is to be had risks must be taken, is the theory.

When former customers apply for credit the merchant is guided by the record made in previous dealings. A business man's ledger is a very valuable history of credits. It is his compass in a sea of doubt. If upon the inspection of an old account it be discovered that in former years the customer paid cash and discounted his bills, and that later his method of payment was by promissory notes, and that on several occasions he asked for special favours, such as dating bills ahead or the privilege

of renewal of notes, one is able to read a certain unmistakable sign of degeneracy in the customer's credit. New orders from such a customer will bear scrutiny; and a closer attention to the present condition of the account may save the firm from some bad debts.

While it is possible to-day to determine the average losses from bad debts in the various lines of business, individual risks cannot be accepted on that basis. Each requires special study. If an applying customer paints his financial condition in roseate colours, let him be willing to reduce his statement to writing, and when his signature is affixed his statement is much more reliable, because he knows of the impending liability of fraud if he has misrepresented. Men averse to transforming an oral statement to writing have discredited themselves immediately. Men who mean to be honest may be optimistic in picturing prospects and be inclined to set an unreasonable value upon their property and extent of business. It may be easier to tell the absolute truth about one's liabilities, because they are such persistently real things; but assets have elastic qualities in many men's minds and seem capable of any extension in an emergency. Buyers who impress themselves most favourably upon the business house are frank in their statements. The explicit, candid man of few words will merit consideration. The cringing or pleading kind predisposes one unfavourably. Stephen Girard said of one who in tears asked for a loan: "The man who cries when he comes to borrow will cry when he comes to pay."

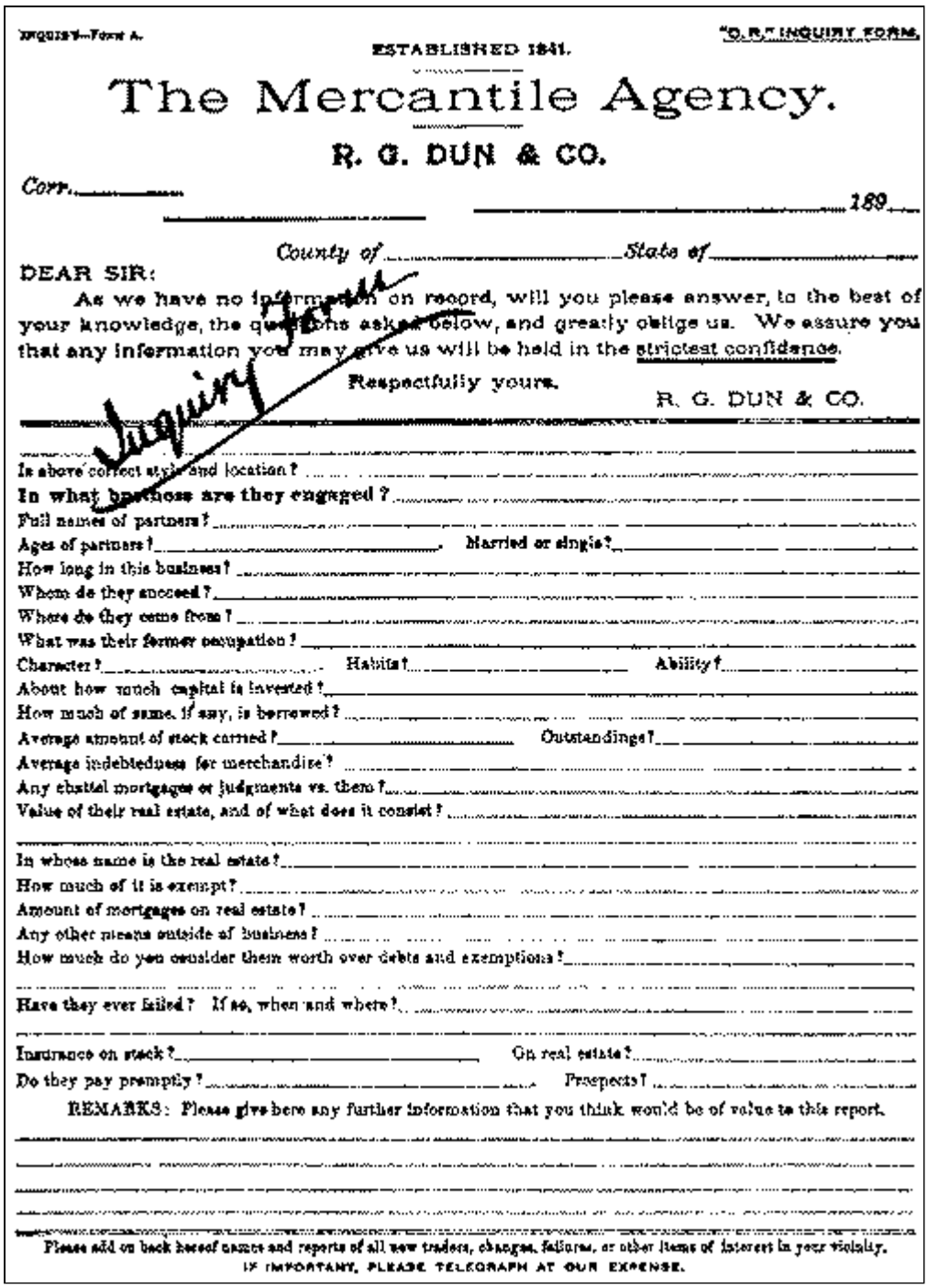
To determine the right of a buyer to credit and the safe limit of credit to be extended to him is the seller's serious problem. It is customary to request references in order to discover how other firms regard the applicant's credit. But these references

may be cautious of reply. A selfish desire to retain the customer for themselves, or the higher motive of a desire to be true to the interests of both the inquirer and the customer may produce dubious or very incomplete reports. If a bank be among the references one does not place too much stress upon a very favourable reply from it, because a merchant usually learns the lesson of expediency in making a friend of his banker. And, moreover, one endeavours to reveal only the best side of his business affairs to the bank. Favourable replies from several firms showing a uniform line of credit go a great way toward reaching a safe conclusion. But in these days of vast and multifarious interests there has developed, as a result of this desire for adequate knowledge respecting men's credit, an agency for the exclusive purpose of arriving at definite and reliable evidence upon financial matters; and after years of experience men have learned to depend upon these mercantile agencies as the most valuable and trustworthy assistants.

MERCANTILE AGENCIES

Mercantile agencies had their origin in the system adopted by several prominent firms of keeping on record all the information obtainable relating to their customers. In 1841 "The Mercantile Agency of New York City" began its history, and was the forerunner of the present great agencies whose record books of credits and ratings include the names of all the business houses and corporations in this country and Canada. The pioneer institution of this character in the United States was the one bearing at present the name of "R. G. Dun & Co.," an outgrowth of "The Mercantile Agency of New York City." Since 1860 it has borne the name of Mr. Dun, who was formerly a partner with Mr. Douglass when the agency was

known as "B. Douglass & Co." Another popular and influential concern is the one known as "The Bradstreet Company," familiarly spoken of as "Bradstreet's." Besides these two leaders there are many others, whose reports on credits are limited to particular lines of trade. The larger agencies soon found it necessary to establish branches in all the business sections of the country. A particular field of investigation is allotted to each branch, and an interchange of information is in constant progress.



INQUIRY—FORM A. "D. R." INQUIRY FORM.

ESTABLISHED 1841.

The Mercantile Agency.

R. G. DUN & CO.

Corr._____

_____ 189__

County of _____ State of _____

DEAR SIR:

As we have no information on record, will you please answer, to the best of your knowledge, the questions asked below, and greatly oblige us. We assure you that any information you may give us will be held in the strictest confidence.

Inquiry form

Respectfully yours,

R. G. DUN & CO.

Is above correct style and location?

In what business are they engaged?

Full names of partners?

Ages of partners? Married or single?

How long in this business?

Whom do they succeed?

Where do they come from?

What was their former occupation?

Character? Habits? Ability?

About how much capital is invested?

How much of same, if any, is borrowed?

Average amount of stock carried? Outstandings?

Average indebtedness for merchandise?

Any chattel mortgages or judgments vs. them?

Value of their real estate, and of what does it consist?

In whose name is the real estate?

How much of it is exempt?

Amount of mortgages on real estate?

Any other means outside of business?

How much do you consider them worth over debts and exemptions?

Have they ever failed? If so, when and where?

Insurance on stock? On real estate?

Do they pay promptly? Prospects?

REMARKS: Please give here any further information that you think would be of value to this report.

Please add on back hereof names and reports of all new traders, changes, failures, or other items of interest in your vicinity.

IF IMPORTANT, PLEASE TELEGRAPH AT OUR EXPENSE.

A mercantile agency inquiry form.

To be a recipient of the valuable information afforded by these agencies business men, by paying an annual fee, are enrolled as subscribers and furnished with books of ratings, as they are called.

Besides this book special type-written reports with elaborate details respecting a firm's credit are sent upon the request of the subscriber. The volume of information recorded in these agencies concerning any one's credit is obtained through the effort of officials of the agencies known as reporters. These men of experience, integrity, and discernment are seekers after truths. Usually each reporter has a distinct line of trade assigned him for research and investigation. This brings him into intimate acquaintanceship with every trader in his particular field. He is a constant solicitor of the banker and merchant for facts. His business is not merely to gather information respecting the resources of business men, but to investigate rumours that in themselves may be detrimental to one's credit, and to disprove them where possible and sustain and support the credit of a house. Too often it is supposed that the reporter is seeking evidences of weakness when in reality his business is most frequently that of discovering elements of strength. Information is freely given him as he interviews men whose businesses and experiences are the depositories for a wealth of credit information. He soon becomes a confidant of the merchant himself, who not only tells him all he knows about the customers and their accounts upon his books, but his own business affairs as well. Indeed, the relation becomes so very reciprocal that the reporter often furnishes information to the merchant in the interview on some matter of credit of pressing notice. In this way a corroboration of facts or the denial of a rumour may be effected. He inspects the books of the offices of public record to find the evidence of mortgages, judgments, and transfers of property, and have the same recorded on the agency's books. It is the reporter who finally has gathered the information that determines a firm's ability to have and to hold a line of credit.

It is essential to the life of the agency that its reports be honest and free from any element of doubt. The public confidence in the reliability of the reports will determine the prosperity of the company. Perhaps at first glance it would seem as if the system of reporting financial information was a serious discrimination against the men of smaller capital and in favour of the wealthy. But mere capital is not the only element entering into an estimate of one's ability to pay. Character and reputation are powerful forces in assisting a merchant in determining credit. An agency discloses facts and not opinions. And it is within the range of possibility of any one to create and maintain his credit. Capital may grow gradually but credit is sometimes established or destroyed by a single act.

The facts obtained by mercantile agencies are not public property. They are given in confidence and for the sole purpose of aiding the business with respect to the propriety of granting credit. The private reports are for the eyes of the interested inquirer and not the curious. Whenever some particular item of interest finds its way to an agency that would affect one's credit seriously, such as the giving of chattel mortgage or the confession of a judgment or the sale and transfer of property, it is customary to send unsolicited a special report of these facts to all subscribers on the agency's books who have ever at any time made inquiry concerning the firm. One might expect that these agencies expose themselves to risk of prosecution for libel, but since no malice is ever intended in any report circulated, and since it rarely occurs that damaging reports are sent out by these institutions unless abundantly confirmed, there is little opportunity for litigation of this sort.

Another field of usefulness of the mercantile agency is in the exposure of the absconding debtor and his

whereabouts, and also the dishonest trader who in arranging a fraudulent failure may be striving to open many new accounts. The unusual demands for reports respecting such a one lead to careful investigation. Instead of a restrictive tendency a mercantile agency promotes the expansion of credit and yet permits of proper conservatism. It opens to the trader as a market for his merchandise every new and trustworthy account. It curbs speculation, stimulates diligence in business, habituates punctuality, and develops character. When we remember that the present annual internal commerce of our country is estimated at about 800,000,000 tons of merchandise carried an average distance of 120 miles, and that this volume of trade is worth over $10,000,000,000, we are forced to admit that the unique system of these credit agencies has done much to further and make possible this commercial prosperity.

IX. BONDS

UNITED STATES, STATE, AND MUNICIPAL BONDS

When a country borrows money it gives a guaranty that the money will be returned at a particular time and that interest will be paid at regular intervals at a fixed rate. This guaranty is called a bond. In actual practice, instead of borrowing the money required and then giving bonds for its return, countries usually issue the bonds first, and sell them to the highest bidder. For instance, if our government needed to borrow $1,000,000 it would issue bonds for this amount, stating definitely the rate of interest

to be paid, and call for bids. If the rate of interest were four per cent. and a buyer paid more than $1000 for a $1000 bond he would, of course, make less than four per cent. upon his investment. Such bonds are absolutely safe and always marketable on account of our strong financial standing among the nations of the world. Similar bonds are issued by States, cities, towns, school districts, etc. They are not mortgages in the ordinary sense, and their worth consists entirely in the ability of the issuer through its taxing power to meet the obligations incurred. Municipal bonds are issued by cities and other municipalities to raise money for local improvements.

BONDS AND CERTIFICATES OF STOCK

A bond is evidence of debt, specifying the interest and stating when the principal shall be paid; a certificate of stock is evidence that the owner is a part owner in the company, not a creditor of the company, and having no right to regain his money except by the sale of the stock or the winding up of the company's business. Bonds issued by stock companies and corporations are really mortgages upon their resources. Such a bond is usually secured by a mortgage upon the company's plant, franchises, and assets, or some part thereof. Corporate bonds can only be issued by the consent and direction of the shareholders of the company or corporation.

> At the present time a mortgage securing the payment of corporate bonds is usually placed in the hands of a trustee—generally some trust company—which is supposed to act in behalf of the bondholders as a unit and which is empowered by the language of the bond, in the event of the failure of the corporation to perform the obligations it assumes in said bond, to foreclose the mortgage and divide the proceeds of sale among the bondholders.—CARROLL.

CLASSES OF CORPORATION BONDS

Corporation bonds are of many classes, differing widely in their value as securities. Only a few of the more important classes can be mentioned here. FIRST MORTGAGE BONDS constitute, as the name implies, a first lien upon the property of the company issuing them. It is important in estimating the value of such securities to know whether they include only the property of the corporation at the time the bonds were issued or whether they are so worded as to include all property owned or acquired by the corporation. Second and third mortgage bonds are second and third liens. The interest upon second and third mortgage bonds is paid only after the interest upon first mortgage bonds is satisfied.

When bonds are issued to take up and put into one fund all previously issued mortgage bonds, the new bonds are sometimes called CONSOLIDATED MORTGAGE BONDS. Holders of previously issued bonds are not obliged to exchange them for any new securities.

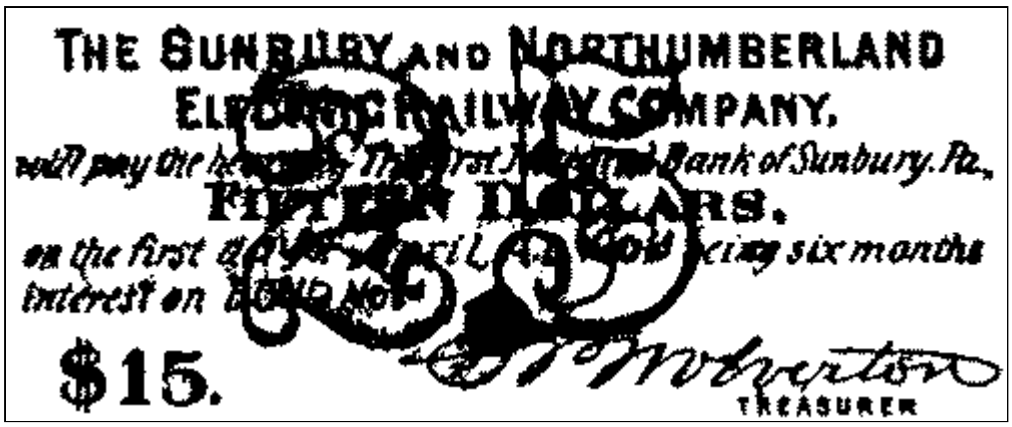
INCOME BONDS are usually secured by a mortgage on the earnings of the corporation issuing them. Interest on such bonds must be paid before dividends are declared to stockholders. It is customary when such bonds are issued to set aside a percentage of the earnings as a sinking fund to meet the bonds at maturity.

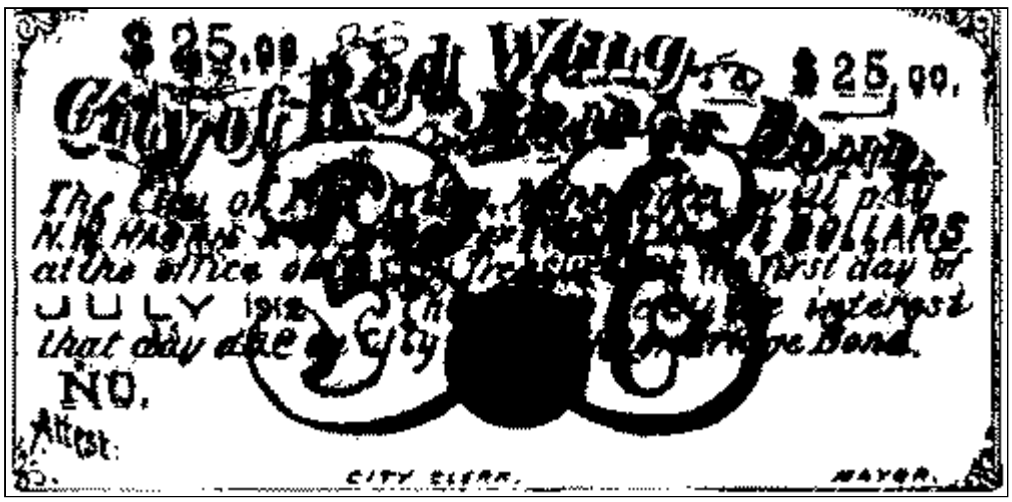
Bonds are issued against all conceivable kinds of securities. Not only are properties of many kinds used to issue bonds upon, but many kinds of bonds are often issued upon the same properties. This is especially true of railways, where mortgages of various kinds often lap and overlap in almost endless confusion.

SINKING FUNDS

Money set aside by a municipality or corporation to *sink* a debt at a certain future time is called a SINKING FUND. For instance, if a city should issue twenty-year bonds for $100,000 to secure money for street improvements the entire debt would fall due in twenty years, but to avoid having such a large amount fall due in one year, a proportional sum is set aside each year as a sinking fund—that is, to *sink*, or reduce, or wipe out the indebtedness when the bonds mature. Bonds are not paid in advance of maturity.

INTEREST COUPONS





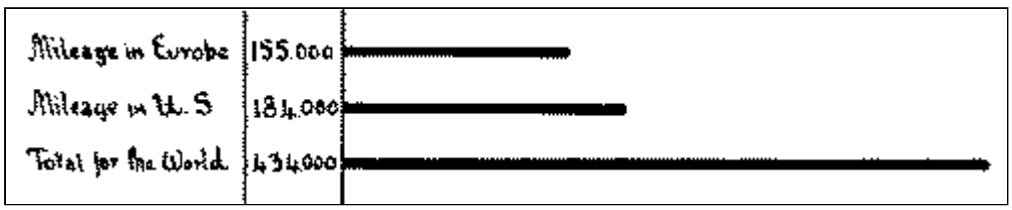
Specimens of interest coupons.

Most bonds have INTEREST COUPONS attached. These are cut off and presented for payment as they mature. For instance, a four per cent. bond for $1000 would draw $40 interest yearly. This sum would be paid in two instalments of $20 each. If the bond were for twenty years there would be at the date of issue forty interest coupons, each calling for $20 and collectable at intervals of six months.

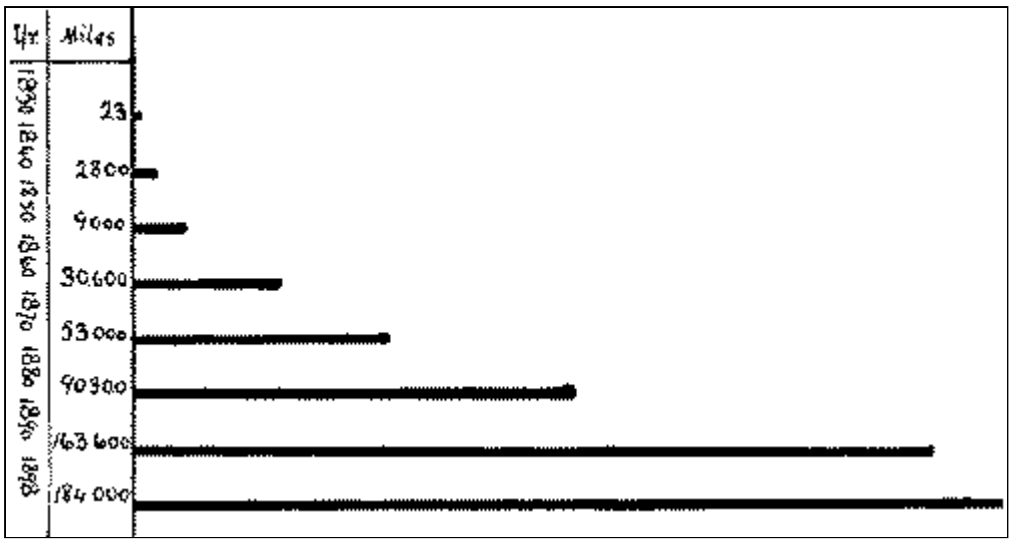
X. TRANSPORTATION BY RAIL

THE GROWTH OF OUR RAILROAD SYSTEM

A railway map of the United States shows that most parts of our country have a thickly woven net of railroads. The mileage of our railroad lines is now 184,000 miles, the actual length of track on these roads being about 245,000 miles. The significance of these large figures becomes more manifest when a comparison is made between the length of our railroads and the length of those of Europe and those of the world. The railroads in the United States comprise over four ninths of the total railway mileage of the world, and are considerably longer than the railroads of all the countries of Europe combined. The facts are shown graphically by the following diagram:



The history of the construction of American railroads covers a period of seventy years. The greater part of our mileage has been built since 1870. The following table and diagram illustrate the growth of our railway net during each decade:



It will be noted that the decades of most rapid railway development were the one from 1850 to 1860, following the discovery of gold in California, and the two between 1870 and 1890. We added 70,000 miles to our railway net between 1880 and 1890—a record that no other country has equalled. By 1892 we seem to have met the more urgent demands for new lines, and we are now annually building less than 2000 miles of new roads. The face value of the capital now invested in American railroads is $11,000,000,000. The number of persons employed in the railway service is 850,000.

THE RAILWAY CORPORATION

The agents that do the work of transportation by rail are the railway corporations. These "artificial persons" are created by the several States and intrusted with the performance of services of a public nature. In all the German states and to a large degree in many other European states, the

governments themselves provide the means of transportation by rail; but in the United States the ownership and management of the railroads is rightly regarded to be a task of greater magnitude than the administrative department of our government is as yet able to cope with.

The growth of the railway corporations of the United States has been typical of the evolution of industrial organisation in this country. The early railway corporations were small. The Philadelphia, Wilmington and Baltimore Railroad, for instance, comprised the lines of four companies. In 1850 the road connecting Albany and Buffalo included the lines of seven companies. During the last fifty years most of the small companies have united to form the corporations which now operate our large railway systems. Though the last statistical report of the Interstate Commerce Commission—the one for the year ended June 30, 1896—contains financial reports from 1985 companies, there were only 782 "independent operating roads," the remainder of the companies being subsidiary organisations. This report shows that forty-four of these operating companies have an aggregate mileage that equals nearly six tenths of the total railway mileage of the United States. Indeed, the statistician to the Interstate Commerce Commission declared in 1894 that "over 83 per cent. of the business of the railways and 82 per cent. of their earnings fall under the control of less than forty associations of business men."

The Pennsylvania system affords a good concrete illustration of railway consolidation. That corporation, with its 9000 miles of road, was built up by the union of over 200 railroad companies, and it now comprises within its organisation 177 corporations—most, though not all, of which are subsidiary railroad companies. This one railway

system does one seventh of the entire freight business performed by all the railroads of the United States and handles one eighth of all the passenger traffic.

THE FREIGHT SERVICE OF RAILROADS

The freight business of the railroads of the United States is much larger than their passenger service, the earnings from freight being nearly three times that from the passenger traffic. It is only in some of the New England States, the most densely populated parts of the United States, that the passenger receipts equal the freight earnings. The industrial conditions of the United States necessitate the movement of great quantities of bulky freight long distances. Our principal grain-fields are from 1000 to 1500 miles from the manufacturing districts and seaboard cities. Our richest iron deposits are in the States adjacent to Lake Superior hundreds of miles from the coal-beds of Illinois, Ohio, and Pennsylvania. Most of the cotton crop is moved long distances to reach the mills of New England and Great Britain. In fact, most of the products of our fields, forests, mines, and factories are marketed over wide areas. The average distance travelled by each ton of freight moved during the year ended June 30, 1896, was 124.47 miles; and, as the railroads carried 765,891,385 tons that year, the number of tons carried one mile was 95,328,360,278.

A comparison of the revenues received from the freight and passenger services by the American, German, French, and British railways is instructive. For each dollar received from the passenger traffic the American railroads earn $2.95 from their freight business, the German roads $2.40, the French $1.31

and the British railways $1.17. The United Kingdom has the greatest volume of passenger traffic per population of any country in the world.

AMERICAN PASSENGER TRAFFIC ON RAILROADS RELATIVELY UNDEVELOPED

The long distances of the United States necessitate a large freight traffic but act as a hindrance to travel. It is a generally accepted but erroneous supposition that Americans travel more than any other people. A comparison of the passenger traffic in the United States with that in the United Kingdom, Germany, and France reveals some surprising facts. The figures are for 1896. The number of passengers carried one mile per mile of road upon the railroads of the United States was 71,705, in France the number was 273,315, in Germany 315,399, and in the United Kingdom 440,000. The average distance which the Briton travels per year by rail is 244 miles; for the American the distance is 209 miles, for the Frenchman 176 miles, and for the German 165 miles. The Englishman takes 24.4 trips per year on an average, the German 11.3, the Frenchman 9.6, and the American 8.2. Americans travel extensively, but it is evident from the foregoing comparisons that the possibility of developing the passenger service in this country has by no means reached its limit.

RELATION OF TRANSPORTATION ON RAILROADS TO ECONOMIC ORGANISATION

The economic changes which have accompanied the great development of transportation that has taken

place during the last fifty years have revolutionised our industrial and social life. Among the effects of developed transportation upon the economic organisation may be noted: First, that relations of producers and consumers have been fundamentally changed by placing a larger market at the service of both. Many classes of commodities are now bought and sold in a world market that were formerly restricted to local trade. Second, improved transportation has made the prices of commodities more uniform for different producers and consumers. The variations due to situation have been lessened. In a like manner there has been a decrease in those time variations in prices that result from changes in the supply of commodities. Improved transportation also makes prices lower—not only because it reduces the costs of moving the raw materials of manufacture and the finished products of industry, but also because it enables the merchant to turn his stock oftener and thus do business with less expenses for capital.

As a third effect of improved transportation may be mentioned the acceleration which it has given to the growth of cities. Cheap and efficient transportation has led manufacturers to locate their plants where they can command a large supply of labour and where they have the greatest advantages for the distribution of their products. The great manufacturing establishments are now located in Chicago, New York, Philadelphia, Pittsburg, and the other large cities. Conditions of transportation have become a stronger factor than even the location of the sources of raw materials in determining where an industry shall be established. The effect of the railroad upon the location of agriculture has been no less potent. The railroad has brought new agricultural regions into cultivation and destroyed the profits of cereal agriculture in many parts of the Eastern States.

Another important consequence of improved transportation and communication has been that of bringing the nations of the world into closer economic and social relations. With the growing solidarity of the economic interests of the countries of the world, with the multiplication of the intellectual and other social ties that unite the nations, their political relations inevitably change, and for the better. Nothing is doing more to advance the attainments of the cherished ideal of international amity than is the development of transportation.

XI. FREIGHT TRANSPORTATION BY RAIL

THE ORIGIN OF RAILROAD TRAFFIC ASSOCIATIONS

The performance of the transportation services necessitates the co-operation of carriers. When the government owns and operates the railroads of a country they are managed by a single authority, and the different parts of the railway system are fully co-ordinated; but when the railroads are operated by a large number of independent corporations, co-operation can be secured only by means of traffic associations composed of representatives of the railway companies, and intrusted with the power of making arrangements affecting joint traffic, and settling questions involving the interests of two or more companies.

Two distinct causes brought about the establishment of railway traffic associations. The first cause was

the necessity of co-operation to facilitate the joint business of connecting lines. Through tickets, joint fares and rates, through bills of lading, the interchange of cars between connecting roads, and the settlement of joint accounts led to the establishment of co-operative freight lines, car-service associations, claim associations, and various other general and local organisations for the promotion of the joint transportation business.

The other cause of co-operation among the railways was the necessity of regulating competition. This cause first became potent after the process of consolidation had brought about the formation of numerous large railway systems, and had inaugurated the violent competition which led to discriminations in transportation charges, rate wars, and the other evils which have combined to produce "the railway question." The competitive struggles of rival railway systems began to be violent shortly after 1867, and soon led to the formation of railway traffic associations, with enlarged powers. The classification of freight, the determination of rates on competitive traffic, and the apportionment of that traffic, or of the earnings from it, among the competitors became functions of the associations.

THE WORK OF ALBERT FINK

The man who did more than any other person to develop traffic associations and to promote the co-operation of competing railroads was the late Albert Fink. It was his master mind that organised and put into successful operation in 1876 the Southern Railway and Steamship Association. The following year Albert Fink succeeded in organising the great trunk lines connecting the North Atlantic seaboard and the States north of the Ohio River. Though

smaller traffic associations similar to these two organisations had been previously established where but few obstacles had to be overcome, it was Fink who first organised traffic associations including all the competing railroads serving large sections of the country.

In discussing the work of traffic associations, which are to-day concerns of really enormous magnitude, railway pooling and the classification of freight especially demand consideration.

RAILROAD POOLING

Railroad pools are agreements entered into by competing carriers, by which the railroads provide for the division with each other of their competitive traffic, or of the earnings from that traffic in accordance with stipulated ratios. Thus there are traffic pools and money pools. During the decade preceding 1887, the year when the present interstate commerce law was enacted, most traffic associations had the pooling feature, and most of the competitive railway traffic was pooled, thus eliminating all competition in rates.

Pooling agreements have never been legal in this country. Being illegal by the common law, they could not be enforced in the courts. Section 4 of the interstate commerce law made it unlawful for the carriers subject to the act to pool their freights or the earnings from their freight traffic, and made it necessary for the traffic associations to reorganise without the pooling agreements. Until March 22, 1897, it was supposed that the associations, without pooling agreements, were legal; but, on that date, in the case of the United States *vs.* the Trans-Missouri Freight Association, the United States Supreme

Court held that the law of July 2, 1890, popularly known as the Sherman anti-trust law, applied to railways, and made it illegal for railway companies to contract with each other to maintain rates. Thus at the present time traffic associations are permitted neither to contain a pooling feature nor to provide arrangements for the enforcement or maintenance of rates, although the charges may be reasonable and be sanctioned by all the carriers interested. The associations may now legally exercise those functions which are connected with the joint business of their members, and they may act as bureaus of information regarding the competitive traffic. They have no power to make or to maintain rates.

TRAFFIC ASSOCIATIONS INCLUDING POOLING SHOULD BE LEGALISED

The best performance of the service of transportation by rail requires the fullest possible co-ordination of the different parts of our transportation system and the largest attainable measure of co-operation among the agents who perform the service. Section 4 of the act of 1887 and the law of July, 1890, as far as the latter relates to railways, are based on an unsound theory. Provision having been made for that kind and measure of governmental regulation of railway rates that will insure reasonable charges, the railways should be permitted to co-operate in rate-making and be given power to pool their competitive business.

CLASSIFICATION OF RAILROAD FREIGHT

There are thousands of varieties of freight offered to the railroads for transportation. If each class of commodities were charged the same freight rate per ton per mile, the charges upon many articles of prime necessity, such as coal, lumber, and grain, would be so high as to prevent their being moved, while the rates on goods of high value per bulk would be much lower than they could readily pay. Classification must precede the fixing of rate schedules. The railroads are interested in adjusting their charges to services performed in such a manner as to insure the greatest possible amount of traffic at rates that are properly remunerative. The public is interested in having the necessary revenues of the railroads so levied as to make the burdens as light as possible. To accomplish this a careful grouping of commodities is necessary.

The goods are usually classified in five or six large divisions. The official classification referred to below has six classes. The first class consists of articles of high value, the sixth class of bulky commodities of low value, such as iron ore, lumber, grain in bulk, etc. In practice, however, the number of classes is at least doubled. Goods of especially high value are made to pay once and a half, double, treble or quadruple the regular first-class rate. A commodity is also frequently placed in more than one class, the rating of classification being lower for car-load lots than for less than car-load shipments. The classification is further extended by omitting certain articles from the list of those classified. Live stock and coal are illustrations of articles to which so-called "commodity," as distinct from "classification," rates are given. The individual shippers are constantly endeavouring to have their goods given commodity rates, and the effort of the railroad companies is to reduce the number of articles excepted from classification. Commodity

tariffs have been a fruitful source of unjust discrimination.

From this description of freight classifications it will be perceived that the main basis upon which the grouping of commodities rests is the relative value of the goods. The gradations cannot, however, be made strictly according to value. The goods are frequently put into a lower class than their value would warrant in order to stimulate their production and shipment or to develop the industries depending upon those articles.

At first each railroad worked out a classification of its own, and there were practically as many classifications as there were railway systems. The disadvantages of this soon became apparent with the development of long-distance traffic. The multiplicity of classifications made it difficult for shippers or purchasers to ascertain in advance what the charges on consignments would be; there was a constant tendency to increase the number of commodity tariffs, and unjust personal and local discriminations were in consequence made more numerous. It became evident that there would be great advantages in having one uniform classification for the whole United States. This ideal has not been reached yet, but the number of classifications has been practically reduced to three —the official, applying to the traffic north of the Potomac and Ohio and west of the Mississippi; the southern, in force among the railroads in the Southern States, and the western, which obtains in the territory west of the Mississippi River. This amalgamation of the classifications has been brought about chiefly by the traffic associations and as the result of the enactment of the interstate commerce law. In order to avoid the discriminations prohibited by that law it was necessary to abandon the system of a separate classification for each

railway. It is to be hoped that the attainment of the ideal of uniform classification will not be long delayed.

THE CONDUCT OF THE FREIGHT BUSINESS OF RAILROADS—TRANSPORTATION PAPERS

The manner in which the freight business is conducted affords a good illustration of the high degree of development to which modern business methods have attained. Freight is accepted by each railroad for shipment not only to all points on its own system, but also practically to every railway station in the country, and even to many foreign cities.

A waybill containing the initials of the number of the car used, the name of the consignor, the name and address of the consignee, the description and weight of the articles sent, the freight class and rate of the goods, and the total amount of freight charges, accompanies each shipment and is delivered to the agent at the place to which the goods are shipped.

For the goods thus accepted for transportation, manifests, or "bills of lading," are issued to the consignor, which, like other representatives of property, may be transferred by the owner or may be deposited in a bank subject to draft. Bills of lading are of two general kinds—"straight consignment bills" and "order bills." When a straight consignment bill of lading is issued the goods must be delivered to the consignee or to the person to whom he may order them delivered. An order bill of lading is one that may be transferred upon indorsement. The following concise description of

an order bill of lading is taken from the "Book of General Instructions to Freight Agents," issued by the Pennsylvania Railroad Company:

> When freight is consigned to "Order" it is, as a rule, for the purpose of securing the payment at destination of a draft for the value of the property. The draft is usually attached to the bill of lading and sent through a bank for collection from the party at destination, who is to be notified of the arrival of the freight. The payment of the draft secures to the payer the possession of the bill of lading, which must be indorsed by the party to whose order the property is consigned.

XII. RAILROAD RATES

Transportation charges have such a general and vital relation to industrial and social welfare that the problem of the just and equitable distribution of their assessment is one of paramount economic and political consequence. A consideration of the main factors which influence the railway companies in fixing charges should precede a discussion of the regulation of transportation by the government.

GENERAL FACTORS WHICH DETERMINE RAILROAD RATES AND FARES

The factors which have most weight in fixing schedules of rates and fares are what it will cost to perform the several services, what the services are worth to those for whom they are to be rendered, and the extent to which there is competition among rival carriers to secure the traffic concerned. Though on the face of things it would seem that the railways should fix the charges for their various services in accordance with the costs of performing those

services, it is neither practicable for them to do so nor is it desirable from the standpoint of public welfare that such a criterion should be adopted. It is impracticable for the railroads to base their charges upon cost of service, because it is impossible to determine accurately the elements which enter into the cost of performing the particular transportation service. The modern railroad is a very complex mechanism, employed in the performance of a multitude of different services. No railroad official is able to say just how much of the company's total expenses are to be charged against any one particular freight or passenger service.

The cost of service would be an undesirable basis of rates, because the railroads would derive such a small part of their total necessary revenues from the carriage of goods having a high value in proportion to bulk and weight, that they would be obliged to charge much higher rates than they now do upon the cruder products of the farm, forest, and mine. These products are the basic materials of industry, and the lowest possible rate for their transportation is essential to social and economic progress.

VALUE OF SERVICE AND VALUE OF COMMODITIES

Value of service is a more desirable basis for rates and fares than cost of service. By charging according to value of service is meant that the shippers of commodities and the passengers who travel shall contribute to the railroad's aggregate expenses in proportion to the value which they derive from the transportation service. The rates and fares may cover a part or all of the value of the service obtained. In either case they are fixed with reference to that value and not with regard to the

cost involved in performing the work of transportation. The levy of rates and fares in accordance with this theory, which is usually called "charging what the traffic will bear," is considered by most people to distribute transportation charges properly, because it is claimed that the true measure of a shipper's or a passenger's ability to pay for a desired service is the value which he will thereby derive. That this theory, nevertheless, does not afford an altogether satisfactory basis of charges, particularly in the freight traffic, may be readily shown.

While it is true that the amount of value added by transportation to goods of low value is less for each unit of weight or bulk than the amount of value which is acquired by an equal weight or bulk of high-priced commodities, yet the *percentage* increase in value is greater in the case of the goods of low cost. Expensive articles can be carried long distances without adding very much to their cost to the consumers. Measured in their percentages, then, the value of the service of transportation is relatively much lower in the case of the higher-priced commodities. The freight charges on wheat range from twenty to forty per cent. of its farm value, while the rate on shoes is possibly two per cent. of their factory price. That these charges are levied in accordance with the real ability of the articles to pay would be hard to establish.

A PARTIAL THEORY OF RAILROAD FREIGHT RATES

Without attempting in this connection to formulate a complete theory of freight rates, it may be said that there are three factors to which weight should be given in fixing charges: First, *the cost of service*.

The total costs of transportation, including a fair return on invested capital, must be covered by total receipts. Furthermore, the minimum rate charged any particular class of commodities ought to be sufficient to pay the operating expenses incurred in transporting the goods. Second, *the value of the service*. This fixes the maximum rate that may be charged. Were the railroads to charge more than the service is worth to the shipper the service would not be desired. Third, *the value of the commodities*. Between the minimum rate fixed by the operating expenses and the maximum charge determined by the value of the service actual rates may vary through a wide possible range. In determining what rates within this range will be theoretically most just and least discriminatory, consideration should be given both to the value of the service and—more than is the case at present—to the value of the articles transported. By doing this rates will be paid by the various articles of freight more nearly in proportion to their ability to pay.

THE EFFECT OF COMPETITION ON RAILROAD RATES AND FARES

Whatever theory of rates may be accepted as ideally best, it cannot be strictly adhered to under the existing conditions of active competition obtaining in the United States. Actual charges have to be fixed and revised to meet the varying circumstances under which railway traffic is conducted. This competition takes several distinct forms. One is that between railways and waterways. A large part of the domestic traffic of the United States has the choice of transportation by rail or by water on the great lakes and the tributary canals, by the navigable rivers, or by one of the many ocean routes followed by our coastwise commerce. There is also the

competition of rival railways connecting common termini or serving the same cities. These forms of competition are the ones most frequently noted; but they perhaps exercise a less potent influence over rates than what is known as competition through the markets or through the channels of trade. The competition between rival centres of commerce and industry—between the Atlantic cities and the gulf ports, for instance, or between the manufactures of New York and Philadelphia and those of Chicago or Cincinnati for the markets of the Southern States, to cite another example—is a force that must be considered in making rates and fares. Even towns served by only one railway and by no waterway enjoy the benefits of this industrial competition. Unless the railroad can give the industries in these local towns rates that will enable them to market their products, the industries will decline and the railway will lose its traffic.

An interesting result of the competition of roads connecting common termini or joining a common industrial region with seaboard points is that the road whose line is the longest and whose expenses of transportation are greatest is obliged to charge the lowest rate. The short lines can charge more because they compete for traffic under more favourable circumstances. The lower charge of the longer line is called a differential rate, and it is customary for the shorter or "standard" lines to agree to allow the "differential" line a stipulated differential rate. This is the concession which the standard lines are obliged to make to temper competition and to prevent rate wars. The Grand Trunk, running from Chicago to Boston by way of Montreal, is a good example of a differential line, and the New York Central is a good instance of a standard line.

GOVERNMENTAL REGULATION OF RAILROAD TRANSPORTATION

It is a maxim of common law that transportation charges must be reasonable, and the exaction of an unreasonable rate by a public carrier is a common-law misdemeanour punishable by the courts. But when, as the result of severe competition of railroads with waterways and with each other, unjust discriminations between persons, between places, and as regards classes of traffic—the abuses which constitute the railway question—became prevalent, the common-law provisions applying to railway charges were given statutory form and were supplemented and extended by such legislation as the circumstances peculiar to the situation seemed to demand. The comprehensive railway- and canal-traffic act passed by Great Britain in 1854 has been the model adopted for much of the railway legislation in the United States.

The Constitution of the United States gives Congress power to regulate commerce "among the several States," but the jurisdiction over intrastate traffic lies with the State governments. The States began to pass general laws for the regulation of railroads fully twenty years before Congress acted, and two thirds of the States have established commissions to administer those laws.

THE INTERSTATE COMMERCE LAW

After fifteen years of agitation and investigation the existing interstate commerce law was enacted in 1887. The law prohibits unreasonable rates and unjust discriminations between persons, places, and classes of traffic, prohibits pooling agreements,

provides penalties for the violation of the law, and establishes a commission of five men to administer and enforce the statute. Fortunately for the commission and for the country the first chairman of that body was the eminent jurist, Thomas M. Cooley, whose master mind did much to give vitality to the law.

During the first five years after the law was passed it secured a fairly efficient regulation of interstate railway commerce, but recent decisions of the United States Supreme Court have so weakened the law that at present the commission has very little power. The commission can investigate complaints and make reports, it can collect statistical information, it can and does informally adjust many differences between shippers and carriers; but, to quote from the last report of the commission, "it has ceased to be a body for the regulation of interstate carriers." Legislation to amend and strengthen the interstate commerce law is urgently needed.

Judge Thomas M. Cooley. (First chairman of the interstate commerce commission.)

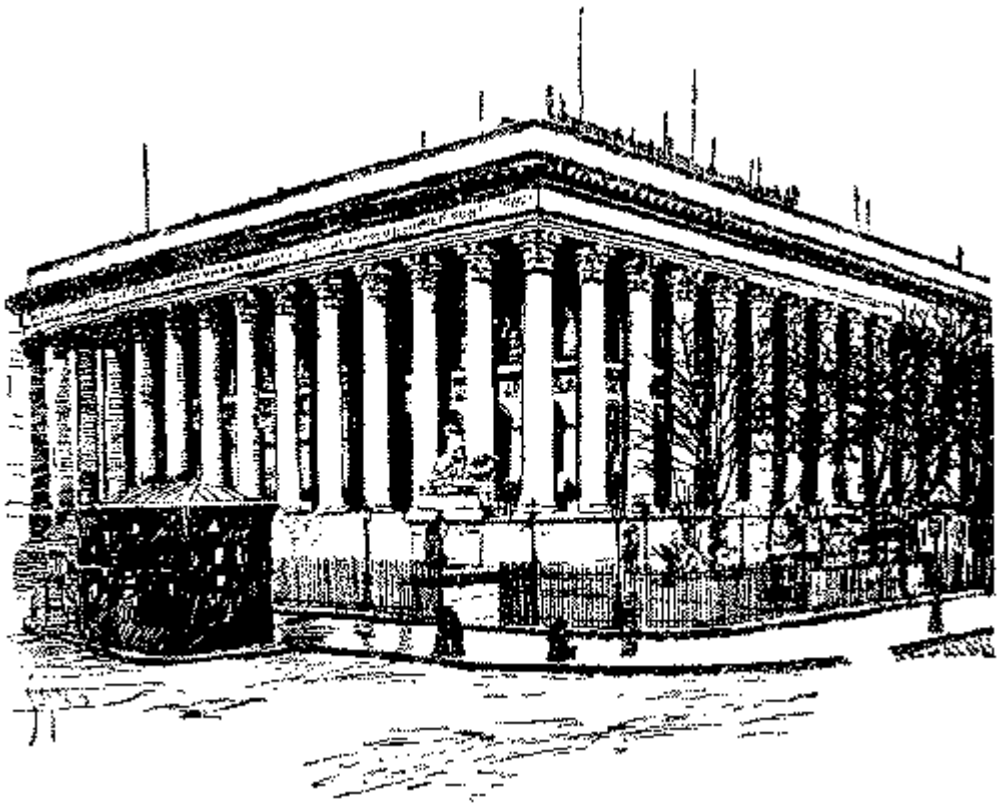
XIII. STOCK AND PRODUCE EXCHANGES

THE STOCK EXCHANGE

The stock exchanges of the world must not be considered simply as noisy congregations of brokers speculating in securities under the guise of legitimate business. They really play an important and necessary part in the financial mechanism of the country, and are instruments of enormous value in subdividing and distributing capital, and in directing

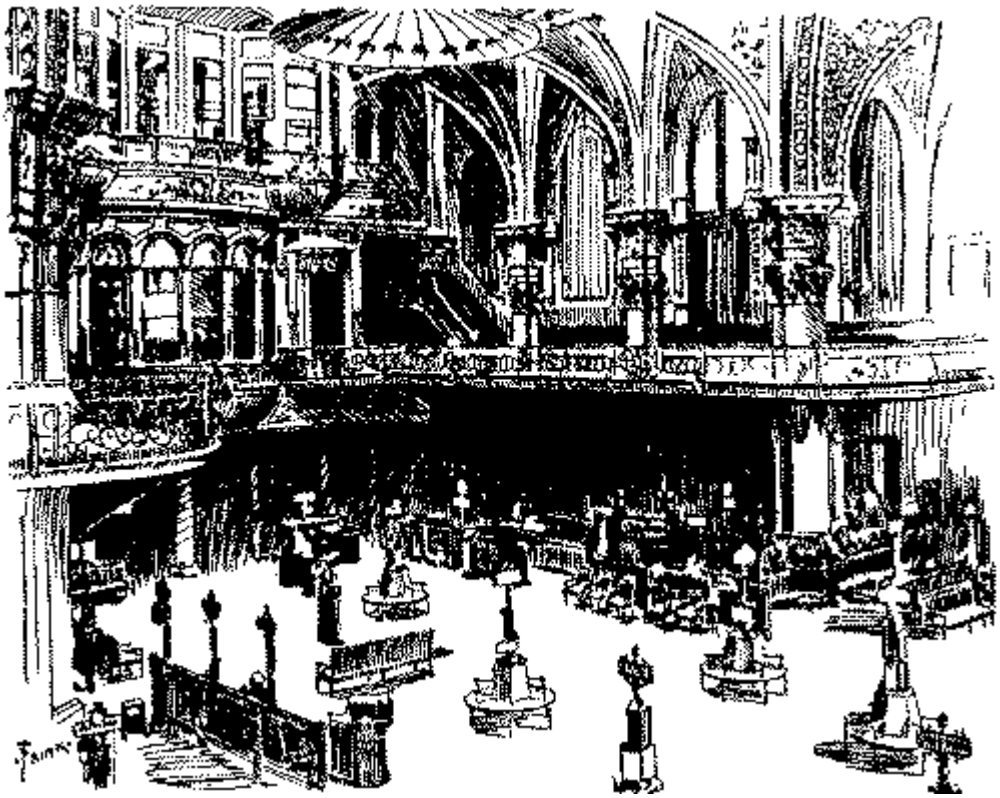
its employment in great commercial and industrial enterprises.

The largest stock exchange of the world is that of London. It is not only the centre of the English market for stocks and securities but, like the Bank of England, it is linked internationally with nearly all the financial centres of the world. Almost every reputable security is marketable in London, either through the ordinary channels provided by arbitrage dealers, who buy in the cheaper and sell in the dearer markets, or through the agency of trusts and investment concerns. The magnitude and extent of the financial resources of the London Stock Exchange are enormous. Its advantages to the business public outweigh altogether the drawbacks imposed by the too-speculative spirit of mankind. It is a great business barometer, extremely sensitive to all conditions likely to disturb the world's finances. The London Stock Exchange has scarcely more than one hundred years of history. In the early part of the century the elder Rothschild was one of the giants "on 'change," and it was in this business that he amassed the great fortune which makes the name of his house a synonym for money power. The membership of the London exchange is not limited to a fixed number, as in Paris and New York. In the Paris Bourse all agents are strictly forbidden to trade on their own account.



The Paris Bourse.

The New York Stock Exchange was formed in 1792. There are 1100 members. Members are elected and must be nominated by two men who will say that they would accept the uncertified cheque of the nominee for $20,000. The initiation fee is $20,000. Memberships have sold as high as $32,500, and the market value of a seat on the Exchange varies only slightly from year to year.



Interior view of New York Stock Exchange.

There are stock exchanges in all large cities, and scattered throughout the country in convenient centres are grain and produce exchanges, cotton exchanges, petroleum exchanges, etc. These exchanges are really the central markets for the commodities they represent. Commodity exchanges deal in actual products, even though the dealers handle nothing but warehouse receipts or promises to deliver. Stock exchanges deal in credits and securities, which may or may not have a tangible value back of them.

There is no reason why bonds and shares should not be publicly dealt in—and in large quantities—as well as dry goods, corn or cotton; but, unfortunately, few stock exchanges confine their transactions wholly to legitimate business. You will look in vain in the quotations for the stock of dozens of

corporations whose securities are among the choicest investments. It is upon fluctuations that stock speculations prosper, and it is often true that the largest profits are made on the poorest stocks.

Transactions are quickly collected and reported to the world. In hundreds of offices in New York, Chicago, and other American cities may be seen a little instrument called a *ticker*, which automatically prints abbreviated names of stocks, with their prices, on a narrow ribbon of paper. These *tickers* are rented to these offices by the telegraph companies, and as fast as the sales are made the quotations are ticked off in thousands of offices in all parts of the United States.

TECHNICAL TERMS OF STOCK EXCHANGES

The term *bull* is applied to those who are purchasers of stock for long account, with the purpose of advancing prices, as the tendency of a bull is to elevate everything within his reach. The term *bear* is applied to those who sell short stock, with the purpose of depreciating values. The *bear* operates for a decline in prices. The broker's charge for his services is called a *commission*, which in the New York Stock Exchange is one eighth of one per cent. each way on a par value of the security purchased or sold. A *point* means one per cent. on the par value of a stock or bond. *Stock privileges* or *puts* and *calls* are extensively dealt in abroad and to some extent here. A *put* is an agreement in the form of a written or printed contract filled out to suit the case, whereby the signer of it agrees to accept upon one day's notice, except on the day of expiration, a certain number of shares of a given stock at a stipulated price. A *call* is the reverse of a *put*, giving

its owner the right to demand the stock under the same conditions. A *put* may serve as an insurance to an investor against a radical decline in the value of stocks he owns; a *call* may be purchased by a man whose property is not immediately available, but who may desire to be placed in a position to procure the shares at the *call* price, if they are not below that in the open market when he secures the necessary funds. The speculator usually trades on *margins*. If he has $500 to invest he buys $5000 worth of stock, his $500 being ten per cent. of the total amount. He expects to sell again before the remaining amount falls due. The *margin* is usually placed by the speculator in the hands of a broker as a guaranty against loss. Although these brokers are really agents for others, yet *on 'change* they stand in the mutual relationship of principals. A *margin* is merely a partial payment, but a broker buying stock for a client on *margin* is compelled to wholly pay for it. If he has not the necessary capital his usual custom is to borrow from banks or money-lenders, pledging the stock as collateral security. In foreign exchanges the element of credit enters more largely into the conduct of business. Where the credit of the client in London is established his broker does not, ordinarily, call on him for any cash until the next "settlement day." A *wash sale* is a fictitious transaction made by two members acting in collusion for the purpose of swelling the volume of apparent business in a security and thus giving a false impression of its value. Stocks sell *dividend-on* between the time the dividend is declared and the day the books of the company close for transfer; after that they sell *ex-dividend*, in which case the dividend does not go to the buyer. When a company decides not to declare a dividend it is said to *pass its dividend*. To sell stock *buyer 3* is to give the buyer the privilege of taking it on the day of purchase or on any of the three following days, without interest; and to sell stock *seller 3* is to give the seller the

privilege of delivering it on the day of purchase or on any one of the three following days without interest. *Buyer 3* is a little lower and *seller 3* a little higher than *regular way* when the market is in a normal condition. *Bucket shops* are establishments conducted nominally for the transaction of a stock-exchange business but really for the registration of bets or wagers, usually for small amounts, on the rise or fall of the prices of stocks, there being no transfer or delivery of the commodities nominally dealt in. There are thousands of these counterfeit concerns throughout the country conducted without any regard for legitimate commercial enterprises.

FUTURE DELIVERY

Grain is stored in warehouses until needed for milling or shipment. When we speak of *December wheat* we mean wheat that is to be delivered to the buyer in December. The carrying charges include storage, interest, and insurance, so that wheat sold for *May delivery* would necessarily bring a higher price than wheat sold for December delivery. Carrying charges are in favour of the *short* seller. When sold for immediate delivery it is known as *cash grain*.

XIV. STORAGE AND WAREHOUSING

BONDED WAREHOUSES

There is a government regulation that an importer who does not wish to pay immediately the customs

duties on his goods may have them stored in a warehouse, provided he furnish a bond with a surety that he will pay the duty within three years or export the goods to some other country. It is also a requisite that the goods be deposited in a bonded warehouse in the care and custody of its proprietor, who also must furnish the government with a bond of indemnity. The bond of the proprietor is a general bond and usually covers what might be considered a fair amount of total values due the government at any time. Officers of the United States are stationed at the bonded warehouse during business hours. These are there in evidence of the government's proprietary interest in the merchandise stored. When an importer makes entry at the custom house for bonding his goods, he at that time provides the security required.

By a recent decision of the Treasury Department at Washington goods in bond are in the joint custody of the United States government and the proprietor of the warehouse, and after the government has received its customs duties for the goods they are in the proprietor's sole possession. The government cannot interfere to enforce delivery of the goods to the importer. The claim of the warehouse proprietor for storage charges becomes a first lien after the government's claim is satisfied. When the importer has paid both customs and storage charges he is privileged to remove his goods.

WAREHOUSE REGULATIONS

It is the duty of United States storekeepers to check off the goods as they are received at the warehouse and to report the same to the custom house; and when goods are to be withdrawn to see that delivery is not made until a custom house permit is

presented. Upon payment of the import duty on goods in bond at the custom house at any time after importation, the customs officials issue a warehouse permit to the importer ordering the United States storekeeper in charge of the bonded warehouse to deliver the goods to the importer, and upon presentation of the permit the goods are released unless the proprietor holds them subject to storage charges.

Goods may be held in bond for three years with the duty unpaid, but after that time either the duty must be paid or the goods exported. If shipped to another country and afterward re-imported the goods would again be entitled to the three-year privilege. If goods are not exported and the customs charges are due and unpaid, the government may dispose of the goods at public sale to obtain its claim.

Goods arriving by steamer and unclaimed lie at the wharf forty-eight hours. If the owner does not appear to make entry for them within that time, after the entry for the vessel has been made, the goods are sent to a bonded warehouse and remain there on what is known as a general order, and if they stand there unclaimed for a year they may, at the expiration of that time, be sold by the government.

The capital of a warehouse is its storage space. The rates vary from ¼ to ¾ of a cent per cubic foot. The charges may be based on the amount of space consumed and the weight of the merchandise. The latter often determines the floor elevation to which the goods may be assigned. The more convenient of access the storage location is, the greater the cost. Warehouse receipts are issued as evidence of storage. All merchandise is conveniently bulked for numbering and marking, and these distinguishing marks appear on the receipts. Negotiable and non-negotiable receipts are issued as the needs of the

owner may require. The former permit advances to be made by bankers upon the merchandise as collateral security.

FREE WAREHOUSES

These differ from bonded warehouses only in the fact that the government has no control or interest in them. They are only for the storage of imported goods on which the customs duty has been paid or for goods imported free of duty or for merchandise of domestic production and manufacture. They are managed entirely by the proprietor, and the contracts for storage are, of course, between the proprietor of the warehouse and the owner of the goods. The storage rates in free warehouses are considerably lower than for goods stored in bonded warehouses—the latter being a much more expensive business to conduct. There is no time limit in free warehouses. Goods may remain indefinitely. When they remain from six months to a year the charges are collected usually at certain periods to avoid accumulation. Experience shows that goods in free warehouses do not stay so long as those in bond. The articles commonly found in these houses are domestic and imported wools, cotton, canned goods, peanuts, yarns, cotton piece goods, mattings, dry goods, etc. Perishable goods, of course, do not find their way into bonded or free warehouses. These are placed in cold storage.

BANKING FEATURES OF WAREHOUSING

Many of the warehouses find it advantageous to do a banking business in connection with the storage

features. Very frequently, for the convenience of the importer, goods are consigned to the warehouse and sent subject to a sight draft for the amount of the invoice. The warehouse company will pay the draft with the exception of about twenty per cent., which the importer is expected to furnish. If the duty is paid then the value upon which a loan is estimated is based upon the market value of the goods in this country. After the draft has been satisfied the goods are placed in the stores of the warehouse company subject to the customs and storage charges. The amount advanced by the company bears interest at current money rates. In illustration let us suppose bonded goods to be shipped and invoiced at $10,000, customs duty $4000, and the goods consigned to a bonded warehouse. The draft ($10,000) is sent to the warehousing company, which advances $8000, and together with the $2000 received from the importer pays the draft. The $8000 loan made by the company is then charged to the importer at the usual interest rate, and when the borrower withdraws his merchandise from storage he will have to pay the government the $4000 customs duty and pay back his loan of $8000 to the warehouse company, together with interest and storage charges. If any portion of the goods stored is withdrawn for use in the business of the importer, the company will rebate a proportionate amount of the interest. If goods decline in value as collateral in storage the company will demand additional margin for its protection. If goods appreciate in value the loan may be increased. The market value of the goods is ascertained by the appraisement of some expert, who receives a commission for his services.

COLD STORAGE

The cold-storage warehouse is the natural result of the necessities of our great agricultural interests in the preservation of perishable products so sensitive to the deteriorating effects of temperature. The solution of the problem of the preservation of dairy products, meats, fish, poultry, fruits, and vegetables has developed a system that has eliminated the seasons and made possible the equalisation of prices of the finer class of edibles. The cornering of products and the creation of unreasonable prices are avoided. No article becomes a glut on the market as formerly. When there is a surplus of eggs and fruit, prices may be maintained by putting them in cold storage for a few days and offering them on the market when the conditions of trade warrant.

TEMPERATURE REQUIREMENTS FOR COLD STORAGE

Prior to the year 1890 cold storage was dependent upon the employment of ice, but in the evolution of the cold-storage warehouse ice is no longer a requisite. In fact, the temperature obtained by the employment of ice precluded a thermometric register much below the freezing point. The accepted temperature for butter and eggs was formerly 40° to 50°; but through the introduction of mechanical refrigeration, which has revolutionised the business economically as well as physically, eggs now are held in storage at a temperature of 31° and butter from 10° to 18°. Under the former method of ice storage, goods that were offered on the market as "held goods"—that is, as coming from a cold storage—always brought several cents under the prices of fresh merchandise. But the remarkable modern methods of cold storage permit the carrying of dairy products for a number of months and their successful sale afterward in competition with fresh

goods. Eggs stored in March are taken out in the following November and have commanded as high and often higher prices than the fresh commodity. Eggs have been kept two years and found perfectly sweet when used. In freezing poultry and fish the temperature now frequently given is zero and under. Poultry does not carry so well as other merchandise. Although it is possible to keep it for two years, yet it loses its flavour. Five or six months' storage is its usual average limit.

Certain temperatures are maintained in the various compartments of a cold-storage warehouse according to the requirements of the products, and these temperatures are made possible by forcing through pipes arranged around each compartment a brine composed of about ninety-five per cent. of pure salt whose temperature has been reduced by the action of the chemicals. When a shipper stores his goods there is an implied contract with the storage company that the temperature required for the product will be furnished and maintained. Failure to do this renders the company liable for any damage to property. So vital is this feature of the business, which is really the only liability assumed by the company, that the custom prevails of taking the temperature of each room as often as five times in every twenty-four hours, and keeping the record in temperature books open to the inspection of the shippers. A room filled with merchandise may not vary in temperature one degree in six months.

COLD-STORAGE CENTRES

Chicago very naturally is the leading cold-storage centre. Its situation in the heart of the productive area and its advantages as a distributing centre have given it its prestige. But in the last two or three

years the Eastern cities, New York, Philadelphia, and Boston, have developed enormous cold-storage facilities, and Chicago no longer is absolute in her dictation to the markets of the world. When it is remembered that the dairy interests of our country during the last three years averaged an annual value of $650,000,000, and that the greater portion of this found its way into cold-storage warehouses, the importance of this new and very necessary business is readily appreciated.

COLD-STORAGE CHARGES

The cold-storage charges for eggs in thirty-dozen cases would be about 15 cents per case for the first month and 9 cents for every additional month. Butter in sixty-pound tubs would be charged at the rate of 12 cents per tub for each month. Cheese would cost one tenth of a cent a pound per month. The rates of Eastern cities are usually higher than in the West. About ninety per cent. of the storage business of the East is in goods shipped from the West. The refrigerator car is a valuable adjunct to the business. The temperature of the cars is about 45°.

Although no ice is used in the modern cold-storage plant, yet the ice has become a very valuable by-product. Since all the facilities for its manufacture are at hand it has become a matter of commercial expediency to employ them to the company's profit in the production and sale of a commodity indispensable to modern life.

QUESTIONS FOR REVIEW

1. Give some particulars in which the Bank of England differs from our larger national banks.

2. A bank cheque is a demand order for money drawn by one who has funds in the bank. How does a cheque differ from an order on A—— B —— to pay bearer a certain sum of money?

3. You are sending a cheque through the mails to John Brown, Chicago. How will you prevent the cheque from falling into the hands of the wrong Brown?

4. You identify A—— B—— at your bank. The cheque A—— B—— presented turns out to be a forgery. Are you responsible?

5. What is meant by power of attorney? How should an attorney indorse cheques for any person for whom he is acting?

6. What is a certified cheque? Brown gives A an ordinary cheque for $1000, and B a certified cheque for $1000. He fails before either cheque is presented. Why is B's security for his claim considered better than A's?

7. Show how all the banks of the United States are connected through the clearing-house system.

8. How do State and national banks differ as to their organisation?

9. A national bank has a capital of half a million. A customer asks for a loan of $62,000 on indorsed paper. Can the bank legally grant the loan?

10. Give some particulars of the liabilities of the officers and directors of national banks.

11. What is meant by borrowing money on *collaterals*? How is this done?

12. Tell how it is possible for a young man of good character, but without friends who have financial standing, to secure bonds for his faithful conduct in a responsible position.

13. When rates are high bankers prefer to deal in long-time paper. Why?

14. Account for the fact that London is the financial centre of the world.

15. Explain in detail the business of a note broker, giving some particulars of his responsibility in connection with the paper handled.

16. Enumerate the leading items of resource and liability in a national-bank statement.

17. A bank receives from the comptroller of the treasury $100,000 in new bank-notes of its own issue. What ledger entry? A bank retires $10,000 of its own bank-notes. What entry?

18. Discuss fully the points which should enter into a proper estimate of the value of paper offered for discount.

19. Give the successive and necessary steps in the formation of a joint stock company.

20. Why are companies which properly exist and belong in one State sometimes organised under the laws of another State?

21. Explain very fully the difference as to resource and liability between a bondholder and a stockholder.

22. How may a stock company be dissolved?

23. What is the difference between a voluntary association, such as a society or club, and a stock company?

24. Explain very fully the meaning of *Limited* when it forms part of the legal title of a company.

25. Is it legal to sell shares of stock and issue mortgage bonds upon the same property? What relationship do they bear one to the other?

EXAMINATION PAPER

NOTE.—*The following questions are given as a means by which the student may test for himself whether he has attentively pursued the lessons of the course or not. It is recommended that each student as he finishes the course write out the answers to the questions in full. Only such answers need be attempted as the student can frame from a careful study of the course.*

1. (*a*) Give some particulars in which the Bank of England differs from our larger national banks. (*b*) Enumerate some of the advantages afforded to the community and to commerce in general by banking institutions. (*c*) How do private banks and trust companies differ from national banks?

2. (*a*) What is a stock certificate? How does it differ from a mortgage bond? (*b*) At what rate must United States 4 per cents be bought to net 3.2465 per cent.? (*c*) Give the successive and necessary steps in the formation of a stock company. How can the stock of a company or corporation be increased?

3. (*a*) What provision is usually made for the redemption of municipal bonds which have a long period to run? (*b*) What is meant when we say that a certain railway is in the hands of a receiver? (*c*) Give some of the advantages which stock companies have over partnerships.

4. (*a*) Tell how you would receipt for a payment on a note. Why is not an ordinary separate receipt sufficient? (*b*) Discuss fully the points which should enter into a proper estimate of the value of paper offered for discount. (*c*) Explain in detail the business of a note broker, giving some particulars of his responsibility in connection with the paper handled.

5. (*a*) What are the advantages to the banks of a city of their central clearing-house? (*b*) Show by a diagram how collections are made between distant points. (*c*) What is a certified check?

6. (*a*) Enumerate some of the abuses of rate discrimination in the United States and tell how they are met. (*b*) What are the advantages to the public of freight organisations which arrange for through service? (*c*) Explain in detail the methods adopted by leading and competing railway lines to regulate and adjust freight rates. (*d*) What are *differentials*? How are (1) through and (2) local passenger rates regulated?

7. (*a*) Give the particulars in which a warehouse receipt resembles and differs from (1) a promissory note, (2) a bill of lading. (*b*) What are the advantages to the importer of bonded warehouses? (*c*) What are the duties of our foreign consuls with reference to the importation of goods?

COMMERCIAL LAW

I. THE DIFFERENT KINDS OF CONTRACTS

Commercial law relates to CONTRACTS. These are made by almost every one. A person cannot ride in a street-car without making a contract with the company for carrying him. If he goes into a store and buys a cigar, a stick of candy, or a tin whistle, he has made a contract with the man behind the counter, who owns the store or is his salesman. Tramps and thieves are about the only persons who live without making contracts. In that respect they are like the birds of the air, getting whatever they desire whenever the chance is seen.

A contract has been defined as an agreement to do or not to do some particular thing. These are the words used by one of the greatest of American judges. The reader may turn to his dictionary and find other definitions that contain more, if he pleases, but this will answer our purpose.

All contracts may be put into three classes, and each of these will be briefly explained. First, SEALED AND UNSEALED CONTRACTS. What do we mean by a contract that is sealed? It is one to which the person who signs it adds, after his name, a seal. But what is a seal? It may consist of sealing-wax, stamped in a peculiar manner, or a wafer made of sealing-wax, or a paper wafer. In the olden times when people could

hunt and fight but were not able to write their names, they put a seal at the end of a contract made by them; in other words, the seal supplied the place of a name. Each person's seal differed from the seal of every other. It had its origin really in the ignorance of the people. As they were unable to write their names these distinct signs or marks, called seals, were put on instead of their signatures.

With the changes brought by time the form of this device or seal, required by law, is much simpler than it was centuries ago. Indeed, in every State persons use the letters "L. S.," with brackets around them, instead of a seal. They mean "the place of a seal," and are just as good in every way as any kind of seal that might be used. Here are two of the forms of seals in most common use:

Two seals in common use.

Any contract that has a seal after the name of the signer is a sealed contract, and every other is called an UNSEALED, ORAL, or VERBAL contract. If a contract was written and a seal was added after the signer's name, and there was another exactly like it in form, but without a seal, this would be called an unsealed

or verbal contract, and in law would differ in some important respects from the other. This is true in every State except California, where the difference between sealed and unsealed contracts is no longer known.

The second class of contracts are called EXPRESS AND IMPLIED CONTRACTS. By an EXPRESS CONTRACT is meant one that is made either in writing or in words. But the reader may ask, Are not all contracts of this kind? By no means. Many contracts exist between people which have not been put into words. Suppose A should ask B for employment and it should be given to him, but no word should pass between them about the price to be paid. The law would *imply* that B must pay him whatever his work was reasonably worth. If A should come at the end of the week for his pay and B should say to him: "I never made any bargain with you concerning the price, and I am unwilling to pay you anything," A could, if he understood the law, say to B: "You told me to work, and the law *implies* that you must pay me whatever my work is worth." How much would the law give him for his work? Just what the employer was paying other men for the same kind of work.

Another class of contracts are called EXECUTED and EXECUTORY. An EXECUTED CONTRACT is one that is finished, done, completed. If I should go into a store and ask the price of a book and say to the salesman, "I will take it," and give him the money, and take the book with me, this would be an executed contract. An EXECUTORY CONTRACT is one that is to be completed. Suppose the salesman did not have the book and I should say to him, "Please get it for me and I will come in next week and pay you for it," this would be an executory contract; and it would remain so until I came in and got the book, as I had promised to do, and paid the price.

These are the three most general classes of contracts made by persons in daily life. Almost all persons make contracts of each kind during their lives. Sealed contracts are not as common as unsealed ones, yet they are frequently made. Every deed for the sale of land or lease for the use of it is a sealed contract.

II. THE PARTIES TO A CONTRACT

To every contract there must be two or more persons or PARTIES. When Robinson Crusoe was on his island all alone, eating breadfruit and entertaining himself by throwing stones at the monkeys, he perhaps had a good time, but he could not make any contracts. But as soon as Friday came along they could make contracts, trade, and cheat each other as much as they pleased. A contract, therefore, is one of the incidents of society. A person sailing in a balloon alone could not make a contract, but if two were in the basket they might amuse themselves by swapping jack-knives or neckties, and these exchanges would be completed or executed contracts and would possess, as we shall soon see, every element of a contract.

Again, persons must be able, or COMPETENT, to make contracts. What kind of ability or competency must a person have? Not every person can make a contract, even though he may wish to do so. A MINOR, or person less than twenty-one years of age, though he may be very wise and weigh perhaps two hundred and fifty pounds, can make very few contracts which the law regards as binding. In fact, the only contracts that a minor can make for which he is bound are for necessaries—clothing, food, and shelter. Nor can he make contracts even for these

things in unlimited quantities. A minor could not go into a store and buy six overcoats and bind himself to pay for them. The storekeeper must have common sense in selling to him and keep within a reasonable limit. In one of the well-known cases a minor bought a dozen pairs of trousers, half a dozen hats, as many canes, besides a large supply of other things, and, refusing afterward to pay the bill, the merchant sued him, and the jury decided that he must pay. The case, however, was appealed to a higher court, which took a different view of his liability. The judge who wrote the opinion for the court said that the merchant must have known that the minor could not make any personal use of so many trousers, canes, and hats, and ought not to have sold him so many. In short, the court thought that the merchant himself was a young minor in intelligence and ought to have known better than to sell such a bill to a person under age.

Of course it is not always easy to answer this question, WHAT ARE NECESSARIES? Much depends on the condition of the person who buys. A merchant would be safe in selling more to a minor living in an affluent condition of life than to another living in a much humbler way. Quite recently the question has been considered whether a dentist's bill is a necessity, and the court decided that it was a proper thing for a minor to preserve his teeth and to this end use the arts of the dentist. Again, is a bicycle a necessity? If one is using it daily in going to and from his work, surely it is a necessity. But if one is using it merely for pleasure a different rule would apply, and a minor could not be compelled to pay for it. Cigars, liquors, theatre tickets are luxuries; so the courts have said on many occasions.

The courts, in fact, regard a minor as hardly able to contract even for necessaries, and he is required to pay for them for the reason that as he needs them for

his comfort and health he ought to pay for them. In other words, his duty or obligation to pay rests rather on the ground of an implied contract (which has been already explained) than of an express one. The force of this reasoning we shall immediately see.

Suppose a minor should say to a merchant who was unwilling to sell to minors,—having had, perhaps, sad experience in the way of not collecting bills of them,—"I am not a minor and so you can safely trust me. I wish to go into business and wish you would sell me some goods." Suppose that, relying on his statement, the merchant should sell him hats or other merchandise for which he would afterward decline to pay, on the ground that he was a minor. Suppose he proved that he really was one—could the merchant compel him to pay the bill? He could not compel him to fulfil his contract, because, as we have already said, the law does not permit a minor to make a contract except for necessaries. The court, then, would say to the merchant: "It is true that you sold the goods to this minor; he has indeed lied to you; still the court cannot regard a contract as existing between you and him." On the other hand, a court will not permit a person to defraud another, and the merchant could make the minor pay for the *deceit* or *wrong* that he had practised on him; and the measure of this wrong would be the value of the goods he had bought. Thus the court would render justice to the merchant without admitting that the minor could make a legal contract for the goods that he had actually bought and taken away.

III. THE PARTIES TO A CONTRACT
(*Continued*)

In the former article we told our readers that there were some persons who could not make contracts, and among these were INFANTS or MINORS. In most of the States a person, male or female, is a minor until he or she is twenty-one years old. In some of the States, among them Illinois, a female ceases to be a minor at eighteen years of age.

By the Roman law a minor did not reach his majority until the end of his twenty-fourth year, and this rule has been adopted in France, Spain, Holland, and some parts of Germany. The French law, though, has been changed, with one noteworthy exception. A woman cannot make a contract relating to her marriage without the consent of her parents until she is twenty-five. Among the Greeks and early Romans women never passed beyond the period of minority, but were always subject to the guardianship of their parents until they were married.

MARRIED WOMEN are another class of persons who cannot make every kind of a contract like a man. Once a married woman had but very little power to make contracts. However great might have been her wealth before marriage, as soon as she entered into this blissful state the law kindly relieved her of all except her real estate, giving it to her husband. On the other hand, he was obliged to pay her bills, which was one of his great pleasures, especially if she was a constant traveller to the silk and diamond stores. She could still keep her real estate in her own name, but that was about all. Her husband took everything else; he could claim her pocket-book, if he pleased, and was obliged to support her in sickness or health, in sweetness or in any other "ness."

The law has been greatly changed in all civilised countries in this regard, and to-day in most States

she can make almost any kind of a contract. In some States, however, it is even now said that she cannot agree to pay the debt of another, but this is, perhaps, the only limit on her power to contract. She can engage in business, buy and sell, transfer notes, make contracts relating to the sale and leasing of her real estate, insure it, build houses, and do a thousand other things quite as freely as if there were no husband around. The most of these changes widening her authority to make contracts have come within the last fifty years. Of course, unmarried women can make contracts like men, and many of them know it.

Another class who cannot make contracts are DRUNKEN PERSONS. Once the law regarded a drunken man as fully responsible for his acts, and if he made a contract he was obliged to execute or fulfil it. He could not shield himself by saying he did not know what he was doing at the time. The court sternly frowned on him and said: "No matter what was your condition at the time of making it, you must carry it out." This was the penalty for his misdeed. It may be the courts thought that by requiring him to fulfil his contracts he would be more careful and restrain his appetite. Whatever the courts may have thought, they have changed their opinions regarding his liability for his contracts made under such conditions. Now they hold that he need not carry them out if he desires to escape from them. There is, however, one exception to this rule. If he has given a note in the ordinary form, and this has been taken by a third person in good faith who did not know of the maker's condition at the time of making it, he must pay. But, we repeat, the third person must act in good faith in taking it, for if he knew that the maker was drunk at that time he cannot require him to pay any more than the person to whom it was first given.

One other class may be briefly mentioned—the INSANE. They are regarded in the law quite the same as minors. For their own protection the law does not hold them liable on any contracts except those for necessaries. These are binding for the same reasons as the contracts of minors, in order that they may be able to get such things as they need for their health and comfort. For if the law were otherwise, then, of course, merchants would be afraid to sell to them. But as merchants can now safely sell to them whatever they truly need in the way of clothing, food, etc., to make themselves comfortable, so, on the other hand, the insane, like minors, must pay for these things, and it is right that they should.

IV. THE CONSIDERATION IN CONTRACTS

Having explained who can make contracts, we are now ready to take another step. Besides having parties, there must be a CONSIDERATION for every contract. This is rather a long word, but no shorter can be found to put in its place. What do we mean by this term? We mean that there must be some actual gain or loss to one or both parties to a contract, otherwise it is not valid. If, for example, A should say to B, "I will give you $100 to-morrow," B, perhaps, might go away very happy, thinking that with this money he could buy a bicycle or some other fine thing; indeed, it was just the sum for which he was longing; so on the morrow he goes to A for his money. He promptly appears, but A says to him: "I have changed my mind, and will not give you the $100." B asks: "Did you not promise to give me this money?" "Certainly." "Well, why will you not fulfil your promise?" A replies: "I was a fool when I made that promise; you are not going to give

me anything for it, so I am unwilling to give the money to you." Suppose B in his sorrow should go to a lawyer, thinking, perhaps, that he could compel A by some legal proceeding to pay over the money. What would the lawyer tell him? Why, he would say: "Did you promise to give A anything for the $100?" "No, sir." "Then the law will not help you out. You cannot get the money from him by any legal method. Perhaps you can get $100 worth of fun in licking him for not giving you the money, but you cannot get the cash. But, mind, perhaps you had better not try to get your fun in that way, for this is contrary to law, and he might get much more than $100 out of you in the way of damages for licking him."

In every case, therefore, there must be *something for something*. Now this something may be a thousand things. It may be money or merchandise or work. In short, there is no end of the things that may serve as a consideration of a contract. An example may be given to explain what is meant by this. A man had been speculating in stocks, and one of the rules of the stock board is that a margin or sum of money that is to be paid for stock must be paid in every case. It may be that an additional margin or sum must be paid under some circumstances. The speculator in this particular case was unwilling to pay this margin, and he said to the broker: "If you will do as I wish, and not put up this margin, I will save you from any loss that may result from such conduct." It was contrary to the rules of that stock exchange for the broker not to put up the margin, and the consequence was that he was put off the floor; in other words, the board would not permit him to act as a member. Of course, as he could not buy and sell any more stock, he lost money; and he went to his customer, the speculator, and told him that he was losing money in consequence of carrying out his order about the margin. The

speculator said he was sorry, but he could not help it. The broker then insisted that the speculator must make good his daily loss in consequence of doing as he had promised. This the speculator would not do. The broker then sued him for the amount of his loss. The speculator defended on the ground that there was no consideration for the agreement he had made with the broker about the margin. The court said that the loss which the broker had suffered in consequence of carrying out his contract with the speculator was a good consideration for the contract and must be made good.

When a contract is sealed the law implies that there is consideration, and there need not be an actual one consisting of money, labour, or any other thing. This seems like an exception to the rule requiring a consideration in all cases, but the reason is this: When a sealed contract is made, the law supposes or assumes that each party made it, clearly knowing its nature—made it carefully, slowly, and, consequently, that either a consideration had been or would be given. If, therefore, one of the parties should refuse to fulfil it the other could sue him in a court of law. The person who sought to have it carried out would not be obliged to show that he had given any consideration on his part for the undertaking, because the seal appended to his name would imply that a consideration had been given. A deed for a piece of land is a good illustration of a sealed instrument. The law assumes whenever such a deed is given that the seller received a consideration for his land. The money paid was a consideration received by the seller, and the land was the consideration received by the buyer. Each gives a consideration of some kind for the consideration received from the other; and this is true in all cases.

V. THE ESSENTIALS OF A CONTRACT

In our last paper we told our readers that there must be a *consideration in every contract*. Sometimes this is *illegal*, and when it is the effect is the same as would be the giving of *no consideration*.

Suppose a robber having stolen money from a bank should afterward offer to return a certain portion if he is assured that he will not be arrested and compelled to change the style of his clothing and his place of residence for a season. He cannot endure the thought of missing a game of football; and as for striped clothes, though very comfortable, perhaps, he is sure they would not be becoming. Suppose this agreement to return a part should be put in writing, and after fulfilling it he should be sued by the bank for the remainder, and also prosecuted by the State for committing the theft. Very naturally he would present the writing in court to show that he had been discharged from the crime and also from the payment of any more money. But this writing would not clear him either from prosecution for the criminal offence or from liability to return the rest of the money. The bank would say that although he had returned a part, this was not a proper consideration for its agreement not to sue him; it had no right to make such an agreement, and consequently it could sue the robber for the remainder of the money just as though no agreement had ever been made.

Another illustration may be given. Suppose a person having made a bet and lost is unable to pay the money and gives his note for the amount. When the note becomes due the holder or owner sues him for the money. He defends, as he is unwilling to pay, by saying there was no legal consideration for the note. The money he promised to pay was only a wager,

which the law regards as illegal. And this would be a good defence.

If the consideration is partly legal and partly illegal and can be divided then there can be a *recovery of the legal part*. Suppose a man owed another $1000 for borrowed money and also a wager for the same amount, and had given his note for $2000. When it became due if the owner sued him he could recover only the $1000 of borrowed money; this much and no more, for the reason that the consideration could be divided, the legal part from the illegal part. If no separation was possible then the note would be void and the owner could get nothing.

A person cannot recover for a *voluntary service* that he has rendered to another. A man would be very mean indeed who refused to pay another for any service rendered to him that was truly valuable; yet if he would not do so the man rendering the service could get nothing through the law. Suppose that a person when walking along a road should see some cattle astray in a corn-field having a good time with a farmer's corn. He knows they are in the field for business and in a short time, unless driven out, will get the best of nature and down her efforts in corn-raising. In the kindness of his heart he jumps over the fence and succeeds in driving them away. Suppose there happens to be among the number an unruly animal which is unwilling to leave such a tempting field of plunder and turns on him and gores him, and he is taken to a hospital. The farmer finds out who drove out the animals, and of his injury, but declines to give him any reward whatever. Can the man recover anything? The law says not, because the service is purely voluntary.

The question has often been asked whether a person who has made a contract to work for another and has broken it can recover for the worth of his

service during the period he was employed. Some courts have said that a person thus breaking his contract cannot afterward recover anything, because he does not come into court with clean hands. Other courts have said that though he can recover nothing on the contract he has broken, he can nevertheless recover on a contract which the law implies in such a case for the worth of his service during the period of his employment. On the other hand, the employer can set off against his claim any injury that he may have sustained. Suppose he could show that the service was of no worth to him; that he was injured rather than benefited by what he did; then the employé could get nothing. The courts have been inclined of late years to uphold an employé in recovering whatever his service was worth—not, however, as done by virtue of an express or actual contract with the employer. He cannot sue on that; in other words, he cannot take advantage of his own wrong to recover anything from his employer, but he may recover on the contract which the law implies, as we have explained, as much as his service was worth to his employer, and no more.

Another element in a contract is the meeting of minds of both parties. *Both must understand the matter in the same sense.* For example, a person offered to sell another "good barley" for a stated price, and the other offered to buy "fine barley" at the price mentioned. There was no contract between these persons, because it was shown that "good barley" and "fine barley" were different things in the trade. This, therefore, is one of the essential elements of a contract—the meeting of the minds of the contracting parties. Whether they have assented or not is a question of fact, to be found out like any other question of fact.

Sometimes offers are made on time, and when they are several interesting questions may arise. Suppose

A and B are negotiating for the sale and purchase of a piece of land. A says to B: "I will give you a week to think the matter over." Soon after parting A meets C, to whom he mentions his offer to B. C says: "I will give you a great deal more for the land and pay you now." "Very well," says A; "the land is yours." And he at once writes a letter to B saying that he has withdrawn his offer, as another person has offered him more for the land and that he has sold it to him. Now B might be very much surprised by this letter. Very likely he would think A was a hard man and perhaps a dishonest one. Perhaps he would go to a lawyer and ask him if he could compel A to sell the land to him if he accepted his offer within the time mentioned and paid to him the money. The lawyer would tell him—if he understood his business—that A had a perfect right to withdraw his offer, even though it was made on time. This would probably be brand-new knowledge to B, but he would know what to do on the next occasion.

Is this true in all cases? It certainly is of all offers made in that manner. How, then, can a person who makes an offer to another on time be compelled to regard it? The way is simple enough. The person to whom the offer is made should give something—a consideration—to A, who makes the offer, for the delay. Then he would be bound by it. But the courts would say to B, if nothing were given: "Why should A's offer bind him so long as he is to get no compensation or consideration for it?" And we shall see again and again in these papers *this element of consideration is ever present, and must be to make transactions legal*. So with respect to an offer on time—if the person to whom it is made is really desirous of having it continue, in order to find out whether he can raise the money to pay, or for some reason, he can make the offer binding by giving to the offerer a consideration for the specified time, whatever that may be.

VI. CONTRACTS BY CORRESPONDENCE

A great many contracts are made by correspondence. A person writes a letter to another offering to sell him merchandise at a stated price. The other replies saying that he will accept the offer. Is a contract made at the time of writing his letter and putting it into the post-office, or not until it is received by the person who made the offer? The law in this country is that a contract is made between two persons in that way as soon as the answer is written and put into the post-office beyond the reach of the acceptor.

The post-office usually is the agent of the person who uses it, but when a person sends an offer to another by mail the post-office is regarded a little differently. It is the agent of the person who sends the offer and also his agent in bringing back the reply. Consequently, when this is put into the hands of the agent the law regards the offerer as bound by his offer. In like manner, if a creditor should send a letter to his debtor asking him to send a cheque for his debt and he should comply, the post-office would be the agent of the creditor in carrying that cheque, because he requested his debtor to use this means in sending his cheque to him. But when a request is not made and a debtor sends a cheque on his own account, the post-office is his agent for carrying it to his creditor.

A person making an offer by letter can of course withdraw it through the telephone or telegraph if he likes at any time before the letter has been received by the other party. Suppose the price of things is rising and A, finding that his goods are also advancing, should, after making an offer of some of them by letter, send a telegram stating what he had

written and withdrawing his offer. This would be a proper thing for him to do. If, on the other hand, A's offer had been received by B before his withdrawal and accepted, then A would be bound by it.

Can B, after mailing his letter of acceptance and before it has been received by A, withdraw his acceptance? No, he cannot—for the reason above given, that the post-office is the agent of A, in carrying both his offer and B's reply. If this were not so, if the post-office were the agent of B in sending his reply, then of course it could be revoked or withdrawn at any time before it reached A.

Suppose A should send an offer and afterward a withdrawal and the withdrawal should be received first. Notwithstanding this, however, if the person to whom the offer was sent should accept the offer, could he not bind A? One can readily see that all the proof would be in the possession of B, the acceptor. If he were a man without regard for his honour and insisted that he received the offer first, A might be unable to offer any proof to the contrary and fail to win his case should B sue him. But the principle of law is plain enough; the only difficulty is in its application. Doubtless cases of this kind constantly happen in which the acceptor has taken advantage of the other to assent to an offer actually received after its withdrawal.

Suppose B should in fact receive A's offer first in consequence of the neglect of the telegraph company to deliver A's message of withdrawal promptly, which if delivered as it should have been would have reached B before the letter containing the offer, what then? A doubtless would be bound by his offer, but perhaps he could look to the telegraph company for any loss growing out of the affair. If he could show that he had been injured by fulfilling the

contract the telegraph company might be obliged to pay this.

Let us carry the inquiry a little further. Suppose the messenger on receiving the telegram took it to B's office and it was closed and he made diligent inquiry concerning B's whereabouts and was unable to find him. Suppose he had gone off to a horse race or to a football game, would it be the duty of the messenger boy to hunt him up at one of these places? By no means. If B was not at his place of business when he ought to have been, the company would not be bound to deliver the message to him elsewhere, except at his house, unless he had left a special direction with the company concerning its delivery. Generally a telegraph company states very clearly its mode of delivering messages and the time when it will do so, the place, etc., to which it will take them, and it is not obliged to hunt all over creation to find the person to whom a message is addressed. That would be a very unreasonable rule to apply. Therefore, if the company did its duty A could not recover anything from it. Would A, then, it may be asked, be obliged to fulfil his contract with B? He has sent his withdrawal, which if delivered in time would have been received by B before the letter containing the offer. B, however, is away from his place of business, and perhaps is where he ought not to be—perhaps he is playing poker or doing something worse—ought A under such circumstances to be held by his offer? This is a closer question and one that we will leave our readers to think over. Surely A would have a strong reason for claiming that he ought not to be held under such conditions.

A person who makes an offer cannot turn it into an acceptance. An old uncle offered by letter to buy his nephew's horse for $100, adding: "If I hear no more about the matter I consider the horse as mine." The

uncle, not hearing from the nephew, proceeded to take the horse. At this stage of the proceedings, however, the nephew was not inclined to suffer his good old uncle to make the contract entirely himself, and refused to give up the horse. The court said that one person could not do all the contracting himself, and this is what he virtually undertook to do. If a person could, by correspondence or otherwise, make a contract in this manner, one can readily see the dangers that might follow. Some positive act must be put forth by the other party showing or indicating his assent before it will be regarded as given. A person, in truth, is not obliged to pay any attention to an offer of this kind.

Rewards are often made. They are found almost every day among the newspaper advertisements. These are binding under various conditions. An interesting question has been raised in the case of a runaway horse whose owner has made an offer to any finder who returns him. Suppose a person at the time of catching the animal did not know of the reward but does know of it when returning the beast to his owner; can he claim the reward? This question has somewhat puzzled the judges, but the more recent opinion is that the catcher can claim the reward like a person who knew at the time of stopping the pleasure of the runaway. Of course, there is no question concerning these rewards when they are known at the time of acting on them.

In one of the cases tried not long since, an old farmer offered a reward of $15 to any one who would find the person who had stolen his harness and also $100 to the man who would prosecute the thief. The harness, in truth, was worth not even this small sum and the thief still less. Yet he was caught and prosecuted, and then the prosecutor and finder claimed the rewards. The farmer's excitement had cooled off by this time and he was not so loud and

liberal as he was at the time of finding out his loss. He refused to pay, saying that he did not really mean to offer these sums as rewards, and the court decided in his favour, declaring that his offer of reward could not be regarded strictly as one, but rather "as an explosion of wrath." In another case a man's house was burning up and his wife was inside, and he offered any one $5000 who would go in and bring her out—"dead or alive." A brave fellow went in and rescued her. Then he claimed the reward. Was the man who made the offer obliged to pay, and could he not have escaped by insisting that this was simply "an explosion of affection" and not strictly an offer or promise of reward? He tried to hold on to his money, but the court held that this was an offer he must pay. Possibly after the recovery of his wife his valuation of her had changed somewhat from what it was while his house was burning up.

One or two more cases may be given. Some persons who prepared "carbolic-smoke balls" offered to pay £100 to any person who contracted influenza after having used one of the balls in the manner clearly set forth and for a stated period. This offer was in the form of a newspaper advertisement. A person bought one of them and followed carefully all the directions about its use. The influenza, though, did not disappear as advertised, so he sued to recover the offer; and, having proved clearly that he had complied faithfully with the directions and had not been cured, the court said that the owners must pay up and compelled them to give him the £100 offered.

Another case may be briefly mentioned. A offered to sell B his farm for $1000. B offered $950, which offer was declined. Then B offered to pay $1000. By that time A had changed his mind and declined to accept B's offer. Then B sued to get the farm,

offering to pay the money; but the court held that B had declined A's offer and consequently that, as A had not made any other offer, there was no contract.

Finally, it may be added that the phrase "by return mail" does not always mean by the next mail, although the person to whom the offer is made cannot delay his answer long. On the other hand, the person to whom such a letter may be addressed can bind the other by an acceptance very quickly after the receipt of the offer, although not literally by the first mail going out.

VII. WHAT CONTRACTS MUST BE IN WRITING

Some contracts must be in writing to be valid; for instance, contracts relating to the sale and leasing of lands. This writing must be signed by the person who is charged with having made it. Suppose that A has sold his farm to B for an agreed sum and refuses to give him a deed on his payment of the amount or offer to pay, and B wishes to compel A to carry out or execute his agreement. B must show a writing signed by A to that effect, otherwise the court will not pay any attention to the matter. On the other hand, if A claims that such an agreement has been made with B, who is unwilling to pay the money and receive the deed, he must show in court a writing signed by B that he has agreed to purchase the farm at a stated price and to receive a deed of the same. If such a writing is not forthcoming when required, he cannot recover anything from him. This is the meaning of the phrase, therefore, that a writing must be signed by the party charged with having made the agreement.

The writing need not be very formal. It need not specify the amount that is to be paid; in other words, it need not specify the consideration. Some courts say, however, that it must contain this fact or statement. It may be in pencil. I presume it would be sufficient if written on a blackboard with chalk. But it must be a writing of some kind signed by the party to be charged; that is the essential thing. The courts have also said that this writing need not be on a single piece of paper. If the two parties have made an agreement by a series of letters, an offer on the one side and an acceptance on the other, and the agreement can be fully shown from the series of letters, this is sufficient writing.

If a man buys a farm and pays a part of the price and goes away saying that he will pay the remainder within a week, expecting then to do so and receive a deed, the seller, if he chooses, can escape giving that deed and parting with his farm. The payment of a part of the money does not bind the bargain, nor will the courts, though knowing this, compel the seller to give such a deed. The reader may ask, if this is the law, cannot the farmer practise a fraud on the buyer by receiving his money and keeping it and the farm too? He cannot do both things. If he refuses to give the deed he must, on the other hand, return the money; if he refuses to do this the buyer can compel him by a proper legal proceeding to refund the amount. In this way the buyer gets his money back again, but not the farm that he bought.

It is said that this statute is as often used as a shield to protect men in doing wrong as in preventing frauds. In numberless cases persons, just like the farmer imagined, have used this statute as a means to protect them in not carrying out their agreements. This happens every day.

This statute also relates to other matters. One clause says that an executor or administrator cannot be required to pay anything at all out of his own pocket on any promise that he has made unless it be in writing. Every one knows about the duties of an executor or administrator. An executor is one who settles the estate of a person who has died leaving a will directing what shall be done with his wealth. An administrator is a person who settles the estate of a deceased person leaving no will. He is appointed by the law, which fully states his duties. Let us suppose that an executor is employed to settle an estate, and that he employs a carpenter to make some repairs on a house belonging to the estate. The contract is fairly enough made between the carpenter and the executor. Let us also suppose that he has no lien on the house for the work that he has done, or that he has lost his lien by reason of not having filed it in time, as the law requires. Afterward he goes to the executor and demands payment for the repairs that he has made. Let us suppose that the estate is insolvent and cannot pay all of its debts in full. At the time of making this contract neither party supposed this would happen. But, unhappily, debts have come to light so large and numerous that there is not property enough to pay all the creditors everything that is due them. The executor says to the carpenter: "There is not property enough to pay all of the creditors and you, unfortunately, must fare like all of the rest, and you cannot be paid a larger percentage on your share than the others." To the carpenter this would be unwelcome news, and he would doubtless say to the executor: "I made this contract with you expecting that you would pay me, and if the property of the estate is not sufficient you ought to pay me this. I am a poor man and cannot afford to lose any of my hard-earned money." The executor might say to him: "I am as poor as you and I cannot afford to pay you out of my own pocket, and in law you cannot

compel me to do this." And, in truth, the carpenter could not do this unless the executor had made a contract in writing, agreeing in any event to pay whether there was money enough belonging to the estate or not.

Another clause says that *a person cannot be required to pay the debt of another unless the agreement is in writing*. If A went into a store to buy goods and B should be a little afraid to trust him, and C, a friend of A's, should happen to be present and say to the merchant, "Let A have these goods and if he does not pay you I will," this would be the promise to pay the debt of another; and if A should not pay it C could shield himself behind this statute and escape without paying anything.

There is another clause relating to the sale of ordinary merchandise. The law says that *contracts for ordinary merchandise must be in writing if the amount is over* $50. In some States the amount is $35. Long ago it was decided that this statute did not relate to contracts for work, and they therefore must be carried out or fulfilled in the same manner as though no statute existed, *for work is not merchandise*.

VIII. CONTRACTS FOR THE SALE OF MERCHANDISE

To make a contract of sale there must be, as we have seen, two or more parties, and a consideration must also be given. The sale is complete when the *property*, or *title*, or *ownership* in the thing bought passes from the seller to the buyer. It is not necessary in order to make a valid sale to deliver the

thing bought. If the *title* or *ownership* in the thing is not transferred, the sale still remains incomplete.

The law supposes or assumes that a person will always pay for a thing purchased. If I should go into a store, inquire the price of a book, and, after learning the price, should say to the salesman, "I will take the book," and he should wrap it up and give it to me and I should then walk out with the book under my arm, he doubtless would come to me and say in his politest manner: "Why, sir, you have forgotten to pay me for it." Suppose I should say: "Oh, yes; but I will come in to-morrow and pay." But if I happened to be a stranger, and especially if there was a suspicious look about me, and he should say they did not give credit in that store, and I was still inclined to walk out with my book, he could insist that there had been no sale and that I must give the book to him. The law would protect him in taking it from me if he did not use undue force. The law assumes, unless some different rule exists, that the buyer will always pay for the thing purchased, yet in law there is no sale unless the purchase money is actually paid.

Of course, credit may be given in a store—that may be the practice; and if it is understood between buyer and seller that credit is to be given, then a sale is complete as soon as the bargain is struck. Indeed, so complete is the sale that if the buyer should say to the salesman, "I will leave this here and return and take it in a short time," and during his absence the store should be burned up and everything perish, the buyer would be obliged to pay for the book. In other words, after it had been sold, if still kept there the seller would be merely the keeper, or bailee, which is the legal term, and he would be obliged to use only ordinary care in keeping it. Suppose a thief should come in and take it away—would the seller be responsible for the loss? Not if he had used the

same care in protecting it as in protecting his own property.

Another illustration may be used to bring out the nature of a sale more clearly. Suppose I have bought a particular work in a store, either paying cash or buying it on credit, if that be the practice of the store, and I should say to the salesman: "I am going down street and on my return will call and take the book." During my absence I meet a friend and tell him of my purchase, and he should say to me: "I am very desirous to get that work; I am sure there is no other copy in town. Will you not sell it to me?" Suppose I gave him an order, directed to the seller, requesting him to deliver the work to the person to whom I have sold it. If he should take the order to the store he could claim the book as his own and the original seller would be obliged to give it to him.

It is very important, however, in many cases *to make a delivery of the thing sold*. As we have already stated, the title as between the buyer and seller is actually changed or transferred at the time of making the sale and it is therefore complete. But if a delivery of the thing sold is not actually made and another person should come along and wish to buy it, and the seller should prove to be, as he sometimes is, deceitfully wicked, and should sell and deliver it to him, the second buyer would get a good title and could hold it just as securely as though it had not been previously sold to another. Of course, the second buyer must be an innocent person, knowing nothing about the first or prior sale. If he did not know and pays the money for the thing he has bought and takes it away, he gets a perfectly good title as against the first buyer. If he was not innocent the first buyer could claim it and the second one would lose his money unless he was able to get it back again from the seller. Of course, such a transaction is a fraud on the part of the seller.

Therefore it is safer in all ordinary transactions for the buyer to take the thing he has purchased unless he is sure that the seller is a perfectly honest man, who will not practise any such fraud upon him.

Suppose the seller had things in his keeping that had been sold but not taken away, and should fail in business, or that persons to whom he owed money should sue him and try to hold not only all of the goods still owned by him but even those which he had sold. Could they succeed as against a person who had bought them in perfectly good faith? It is said that the buyer in such cases can get his goods after clearly showing that he had bought them and paid for them; but the evidence of his purchase must be perfectly clear, otherwise the court will not permit him to take them away and he will lose them.

If a merchant is to deliver a thing as a part of the contract of sale, then, of course, he must do this; otherwise he is liable for his failure to carry out his contract. This rule applies to most purchases that are made in stores. The merchant intends to deliver the thing sold, the buyer purchases expecting this will be done, and the price paid for them is enough to cover the cost of taking them to the buyer's house; in other words, the price of the goods, whatever it may be, is intended to be enough to pay the merchant for his cost in delivering them, and in such cases the contract is not complete until a delivery has actually taken place.

Again, if the thing purchased is a part of a mass of goods, a separation must be made to complete the contract. If a man should buy 100 barrels of oil which were a part of 1000 barrels, a separation of some kind must be made of the particular ones sold. If one should buy trees in a nursery, to make the contract complete the particular trees must in some way be known, either by rows or every other tree—

in short, in some way the trees must be clearly set apart. If part of a mass of timber is bought, the particular logs must be marked or in some way pointed out from the other part of the mass. This rule applies to all things bought that form a part of a large mass. The mode of pointing them out depends on the nature of the thing; a different kind of separation must be made in some cases from what is necessary in others.

IX. THE WARRANTIES OF MERCHANDISE

The rule of law in buying is, *the buyer must look out for himself*; and if things are not what he supposed they were he has no rightful claim against the seller. The maxim of the law is, "*Let the purchaser beware*"—let him take care of himself. The rule of the Roman law was different. It was the duty of the seller to tell the buyer of all the defects known by him in the thing sold, and if he did not he was responsible for any loss caused by any defect or imperfection found after purchasing that was known by the seller before.

The modern principle may be looked at from two points of view. First, *the seller need not make known any defects which the buyer can find out himself*. Suppose a man is thinking of buying a horse that is (though he does not know it) blind in one eye. The law says that the buyer ought to be able to see such a defect quite as readily as the seller, and if he does not the fault is his own. Blindness in one eye is quite as easily seen as would be the lack of an ear or tail. And this principle applies very generally in all purchases. It covers all visible defects. Nor can any one find much fault with this rule, because the buyer

generally has as good eyesight as the seller, and if he takes pains, as he should, he is able to discover all ordinary defects. Furthermore, the buyer doubtless often knows quite as much about the things he purchases as the seller.

But the courts also say that it applies to other defects. Suppose a horse has the heaves or the rheumatism, which is known to the seller but of which the buyer has no knowledge whatever. The seller is not obliged to make known this defect to the buyer, and if he is silly enough to purchase on his own wisdom he must abide by the consequences. If he does inquire and is deceived, that is another thing. But if he asks no questions, or the seller does not deceive him in any way, the seller is not responsible for defects known by him at the time of the sale. This also is a well-understood rule.

The seller, we repeat, *must not deceive the buyer*. In one of the well-known cases a man owned a ship that he was desirous of selling. She was unsound in several places and the seller put her in such a position that her defects could not be readily found out. He did this for the purpose of deceiving the buyer and succeeded. When the buyer learned how he had been tricked he began a legal proceeding to get back a part of the money that he had paid, and won his case. And rightfully, too, for the reason that the seller had deceived him, which he had no right to do.

Another case may be stated of a man who was desirous of purchasing a picture, supposing that it was once in the collection of an eminent man. The seller knew perfectly well that the picture did not come from that collection and that the buyer was acting under a delusion. He did not say that the picture had belonged to the collection or had not; he was silent, although he knew that the buyer would

not purchase it if he knew the truth about its former ownership. For some reason or other the buyer did not make any inquiry of the seller, or if he did was not told. But after purchasing the picture the buyer learned that he was mistaken and that the seller knew this at the time of making the sale. He sought to recover the money he had paid and succeeded, the court saying that a fraud had been practised upon him; that it was the duty of the seller, knowing what was passing in the mind of the buyer, to have told him the truth about the former ownership of the picture.

It will be seen, therefore, that *the seller must not deceive the buyer in any way or practise any fraud on him*; if he does he will be responsible for the loss or injury befalling the other.

What, then, ought a buyer to do in purchasing a horse, for example, in order to guard himself against the unwelcome discovery of disease or other defect? Clearly, *he ought to require the seller to give him a warranty*. A proper way is, if the transaction be an important one, to have the warranty in writing and signed by the seller. It need not be very long; a few words usually are enough.

There is a very important difference that every one ought to understand between words that are spoken at a sale, which are mere representations, and words that form a warranty of the thing sold. If I should go into a store to buy a piece of flannel, and ask the salesman if it was all wool, and he should assure me that it was, and I, ignorant of the quality of the material, and desirous of buying a piece of all-wool flannel, should say to him: "I know nothing about it; I rely entirely on your statement," and he should say: "It is all right; all wool, and no cotton," his words would be a warranty, and if the flannel proved to be made partly of straw or cotton, or

something besides wool, I could sue the seller on his warranty, and recover for the loss I had suffered, whatever that might be. But suppose I were a flannel manufacturer myself, and knew at the time he was saying this to me that the flannel was partly cotton; in short, knew a great deal more about it than he did, and was not deceived in any way by what he said, his words would not be a warranty, because my action in buying the flannel would not be influenced by them.

What test, then, is to be applied? Evidently whether or not the buyer acts on the words spoken and is deceived by them. If, relying on them, he buys and is deceived or misled to his loss or injury, then the words will be taken as a warranty and protect the buyer. If, on the other hand, he is not deceived by what is told him, and he buys on his own knowledge and judgment, then the words are not a warranty.

One or two other points may be briefly noticed. The law says that *the seller always warrants the title to the thing sold*—in other words, that he is the owner. He may not say one word about the matter, but the law implies that he is the owner and would not sell a thing that did not belong to him. If he should prove not to be the owner, the buyer could recover for his loss.

Another point about adulterations. The common law does not regard an article as adulterated, giving the buyer the right to claim something back, unless it has been materially changed by the foreign substance. All, or nearly all, of the States have made statutes within recent years, or re-enacted old ones, holding sellers strictly responsible for the quality, especially of provisions, sold. These statutes generally require the seller to sell absolutely pure articles, and he cannot shield himself by saying that he was ignorant and innocent of their nature if they

proved to be other than pure articles. If a grocer should sell cotton-seed oil for olive oil, even though doing so ignorantly, without any intention to deceive, he would nevertheless be held liable under the statutes that now exist in most of the States; and public opinion strongly favours the strict execution of these statutes.

X. COMMON CARRIERS

What is meant by a common carrier? A person or company that is obliged to carry merchandise or passengers for a price or compensation from place to place. A common carrier cannot select his business, like a private carrier, but *must* carry all merchandise that is offered; or, if he is a carrier of persons, all persons who desire to go and are willing to respect all reasonable regulations that relate to carrying them. *The principal common carriers are railroads, steamboats, and canal companies.*

The liability of common carriers is very important to all who travel or send merchandise. A common carrier is liable for all losses not happening by the act of God or by the public enemy. By "act of God" is meant unavoidable calamity, such as lightning and tempests, and by "public enemy" is meant a nation at war with another. Once these were the only exceptions. Carriers were therefore insurers of the goods left with them to be carried to some other place.

This early rule of law fixing their liability has been greatly changed. Carriers can now make a contract relieving themselves of all liability for losses in carrying goods except those arising from their own negligence. The courts in a few cases have said that

they can relieve themselves even from this, but this is not generally the law. They can, though, by special contract relieve themselves from all other liability. A railroad company, therefore, can make a contract for carrying wheat from Chicago to New York, relieving itself from all liability for loss by fire unless this shall be caused by its negligence. If a fire should occur without any negligence on the part of the company and goods on the way should be destroyed, it could not be held responsible for the loss if there was such a contract between the shipper and carrier. *A carrier is no longer an insurer for the safe carrying of goods.*

The courts have permitted carriers to thus lessen their liability because they are willing to take goods at lower prices than they would if they were to be responsible for all losses. They now virtually say to the shippers: "If you are willing to be your own insurers, or insure in insurance companies, and hold us for no losses except those arising from our own negligence, we are willing to carry your goods at a much lower rate." And, as shippers are willing to take the risks themselves for the sake of getting lower rates, the practice has become universal for lessening the liability of carriers in the manner described.

Suppose that goods are burned up by fire. The shipper must be the loser unless he can show that it was caused by the negligence of the carrier. As he often can show this, he imagines that the carrier is still living under the old law and is liable as he was in the early days of railroad and steamboat companies. In truth, this is not so. His liability is measured by his contract, and there can be no recovery for any loss unless negligence on the carrier's part is clearly shown, and in many cases this is not easily done.

Though common or public carriers are obliged to take and transport almost everything, *they may make reasonable regulations about the packing, etc., of merchandise*. Suppose a shipper were to come to a railroad company's clerk with a quantity of glass not in boxes, and should say to him, "I wish this glass to be carried to New York"; and the clerk should say to him that the rules of the company required all glass to be packed in boxes lined with straw, and that the rule could not be set aside, however short might be the distance. Very likely the shipper would say to the agent: "This is expensive; I wish you to take it as it is." And if he should say to the agent that he was willing to run the risk of breakage, then, perhaps, the clerk might take it in; yet, even on those terms, some carriers would not. At all events, if the clerk should insist on following the rules, the shipper could not justly complain, for this rule is a very reasonable one, as the courts have many times declared.

Suppose a shipper should ask a carrier to take a load of potatoes or apples to Montreal in very cold weather. The carrier says to him: "There is danger of the apples being frozen. I am unwilling to carry them unless you will take the risk of their freezing." He could insist on these terms, because it would be unreasonable to require carriers to transport such merchandise and keep their cars heated. They are not made in that way and every shipper knows it, nor are carriers required to heat them.

The courts have said that any reasonable regulations respecting the merchandise to be carried, the packing, etc., must be respected. A carrier could refuse positively to carry dynamite or powder unless it was packed in a very careful manner. Doubtless many things are carried in ways quite contrary to the regulations, without the knowledge of the carrying companies. Packages are rarely examined and things

may be put within, out of sight, of which carriers know nothing.

A carrier is not required to have cars enough to carry all goods on unusual occasions. But it must have enough to carry without delay all that come from day to day.

XI. THE CARRYING OF PASSENGERS

Millions ride on steamboats, in the street-cars, and by steam-railways, and the question is an important one with them. *What are the rights and duties of company and passenger? First, it is the duty of a company carrying passengers to provide every one with a seat.* This rule does not apply to street-cars but it does to steam-railways. In some cases it is said of the street-car passengers that those who use the straps pay the money from which dividends are paid. But the rule is otherwise that applies to railway companies. They must furnish seats for their passengers and cannot demand fares until seats are secured.

Having taken him on board and seated him, what degree of care must the company use in carrying the passenger? It may seem strange to say that the company is not obliged to use as much care as in carrying a barrel of apples or an animal. Goods must be moved, kept dry, perhaps, and cared for in other ways. An animal must be fed. In carrying cattle stops must be made for rest. But the passenger takes care of himself. He gets in and out and provides his own rations. Therefore the law puts on the carrier the duty of using only a reasonable degree of care in taking him from place to place. In other words, the railway is not an insurer of life, as it is of goods or

other merchandise. As passengers are of themselves able to get around and use some care with respect to their own movements, the law lessens the responsibility.

Perhaps the reader would like to know *what the company must do in carrying a passenger's baggage*. This is a very practical question. If he takes his grip in the seat with him, he alone is responsible for its safety. If some one should get in the seat beside him and in going out should take the grip along with him, the owner could not ask the company to make good his loss. On the other hand, if he delivers his grip to the company, then the company is bound by the same rule as when carrying other goods and merchandise. The price paid for his ticket is also enough to pay the cost of carrying his trunk or other baggage, therefore the carrier cannot escape paying for its loss when having possession of it on the ground that the service is purely voluntary and without compensation. As the company gets compensation it must pay for any loss while taking baggage from one place to another unless the loss or damage should be due to no fault or negligence of the company.

Every now and then we receive a cheque for a trunk or other piece of baggage stating that in the event of loss the company will not be responsible beyond a certain amount—$50, or $100, or other sum. Is that statement on the cheque worth anything? The courts have held that if one of these cheques is taken by a passenger and he reads it he is bound thereby. This is a contract between carrier and passenger, consequently he is bound by the figures mentioned under ordinary circumstances. This rule is just and is based on a good reason. As every one knows, whenever a trunk is lost it is very difficult for the carrier to get any proof of the real value of its

contents. All the evidence is in the hands of the passenger. If he is without a conscience and apparently proves that the things in it were worth $200 or $300, he may succeed in getting this much, although it might have been full of shavings. It is because of much experience of this kind that carriers have tried to limit the amount for which they will be responsible, and so long as they do this in a fair, open way the law regards their conduct with favour. If, however, a passenger receives such a cheque and at once puts it in his pocket and does not know its true nature, then the courts have held that he was not bound by any limit of this kind.

Again, a person has no business to put diamonds and rubies and jewellery and the like in his trunk. If he does and they are lost, he cannot compel the carrier to pay for them. The courts have said that passengers have no right to put such things in their trunks expecting to make carriers pay for them when they are lost. If there are things of unusual value in a trunk, the carrier should be informed or else the owner should assume the risk.

One word more. An express company is a common carrier and is bound by the same rules as other carriers except so far as such rules may be changed by definite contract. When a definite contract is made, then the rules of ordinary carriers do not apply.

XII. ON THE KEEPING OF THINGS

There are some principles of every-day importance relating to the keeping of things.

In our last lecture was mentioned the carriage of merchandise by common carriers. They not only carry merchandise—they also keep it. When merchandise reaches its destination and shippers have had a reasonable time to take it away, but neglect to do so, a common carrier is no longer liable for its safe keeping as a common carrier but only as a warehouseman. What do we mean by this? As we have seen, a common carrier, unless he makes a special contract for carrying the merchandise, is liable for everything lost or injured except "by the act of God or the public enemy"; or, as we have already said, he is an insurer for safely taking and keeping the merchandise while it is in his charge. When the merchandise has reached the final station, and the person to whom it is shipped or sent has had ample time to take it away and does not do so, the carrier still keeps the merchandise in his warehouse or depot, but he is no longer liable as a carrier for keeping it but simply as a warehouseman. In other words, if goods are kept by him for this longer period, he is liable for their loss only in the event of gross negligence on his part. If a fire should break out and the goods be burned, unless it happened by his own gross negligence, he would not be liable for the loss. So, too, if a thief should break into his warehouse and steal the goods, he would not be liable for the theft unless it was shown that he was grossly negligent in not providing a safer building. If the rats and mice should destroy the goods while they were in the common carrier's building, the same rule would apply; or if they were injured or destroyed in any other manner, he would not be responsible for the loss unless gross negligence was shown.

Different rules apply, depending on whether the keeper, or bailee, gets any compensation for storage. In our lecture relating to sales we stated that the seller would not be liable for the loss of anything

intrusted to his keeping after it had been bought of him unless he was grossly negligent, for the reason that no reward or compensation is paid to him for storage. There are, therefore, two rules which govern many cases. If a person keeps a thing for a reward or compensation, then he is bound by a stricter rule of diligence than in those cases in which he receives nothing for his service. This accords with the common reason of mankind. Evidently if a person keeps a thing simply as an act of kindness, he ought not to be responsible in the same sense that one is held responsible who is paid a fixed price for such service.

Another good illustration is that of a bank which keeps the bonds of a depositor in its safe for his accommodation. The bank does not pretend to be a safe-deposit company or anything of the kind, but it has a large vault and wishes to accommodate its customers by keeping their stocks and bonds and other articles for them while they are off on vacations or for other reasons. It is a common thing for a customer to go to his bank, especially in the country, and ask the cashier to keep his valuables during his absence. The cashier is willing to comply, and the things are intrusted to him; but as the bank receives no compensation for this service it is not responsible for their loss unless it is grossly negligent in the matter. Suppose they are put in the safe among other valuables belonging to the bank and a robber breaks in and takes them away—is the bank responsible? Certainly not. On the other hand, if the customer should leave his valuables at a safe-deposit company, a different rule would apply, because that company charges him for keeping the articles. It is therefore bound by a stricter rule than the bank. It must use the greatest care, and if neglectful in any respect it is responsible for the consequences.

Suppose a person should say to me: "Will you be good enough to leave this package with a jeweller on your way down street?" I say to my friend: "Certainly, with the greatest pleasure." What degree of care must I use in carrying that package? Only ordinary care. Suppose in going along the street a thief, without my knowledge, should walk beside me and slip his hand into my pocket and take the package, and on my arrival at the jewellery store I should find that it was gone. Should I be responsible for the loss? Certainly not, because I had neither received nor expected to receive any reward for taking the package to the store. Of course, if it could be shown that I was unnecessarily negligent in carrying the parcel, the owner might be justified in claiming damages.

One thing more may be added. If a bailee should be a scoundrel and sell the thing left with him for safe-keeping and receive the money, the true owner could, nevertheless, claim the thing wherever he could find it. The owner would not get a good title. This rule of law applies to everything except negotiable paper. A person who buys that in good faith, honestly, not knowing that it was stolen, and pays money, gets a good title. *This is the only exception to the above rule in the law.*

XIII. CONCERNING AGENTS

Very many persons act as agents for others. Much of the business of modern times is carried on by persons of this class. All the managers of corporations are agents of the railways, banks, manufacturing companies, and the like. They are to be seen everywhere. Every salesman is an agent. In

short, *the larger part of the modern commerce of the world is done by agents*.

AGENTS ARE OF TWO KINDS, SPECIAL AND GENERAL; and there are important differences between the two. A GENERAL AGENT is a person who transacts all the business of the person hiring or appointing him, called a principal, or all his business of a particular kind. A principal might have several general agents for the different kinds of business in which he was engaged. Suppose he has a cotton-factory and a store and a farm; he might have three general agents, each managing one of these enterprises.

A general agent may be appointed in different ways. This may be done by a written contract. Very often, however, no such contract is made, and the person comes to act in a different way. A cashier of a bank, for example, is a general agent to transact its business, but the mode of appointing him rarely consists of anything more than a resolution of the board of directors. More often than otherwise his appointment is purely verbal, by word of mouth. And, again, the authority of an agent thus to act is often found out by his acts, known and approved by his principal, or in other ways. Suppose that A should manage B's store for him, buying and selling merchandise with A's knowledge; by thus putting him before the world as B's agent the law would say that he really was so, and B would be bound by his acts within a limit soon to be explained. This, perhaps, is the more common way in which the world learns of the authority of an agent's act. He does a great variety of things which it is well known must be within the knowledge of his principal or employer and, as they are known by the employer and the employer says nothing in the way of disowning or repudiating these acts, he is bound by them.

Sometimes, indeed, persons pretend to be agents for others when really they have no authority to act. When this is done, and the person for whom they are pretending to act finds out what they are doing, then it is his immediate duty to take such action as the circumstances require to disown the acts of such pretenders. If this is not done he may be bound by them. His action in adopting or approving is called the RATIFYING of an agent's act; and when this is done the agent's action is just as valid as though authority had been given to him to act in the beginning. The principal's conduct in thus ratifying an agent's acts relates back to the time when the agent first began to act.

A SPECIAL AGENT is appointed to do a particular thing and this is more often done in writing. Perhaps the most common illustration is the appointment of some one to act for another at the annual meeting of a corporation to vote on stock. Such a person is called a PROXY, and persons often act as through another in this manner. Sometimes one person serves as a proxy or agent for a very large number of shareholders.

The liability of a principal for the acts of a general agent are very different from his liability for the acts of a special agent. In the former case the principal is said to be responsible for all the acts of his agent that are within the general scope of his business. In other words, if it is generally known that A is acting as the general agent of B in conducting his business, —we will say managing his cotton-factory,—A will bind his principal B for everything done by him as general agent in conducting that business.

Suppose A was acting as a general agent of an insurance company and, among other things, was told by the president or board of directors of the company not to insure property in a given place

below a stated rate. Suppose a person should go to this agent, desiring to have his property insured, but at a lower rate, and suppose that the agent should finally yield and make a lower rate as requested. Could his company repudiate the contract? Clearly not, for it was A's duty to make contracts for insuring properties. If the insured knew that the agent had been expressly limited in the rates for insuring and that he was going contrary to his instructions in making the lower rate, then, indeed, the company would not be bound by the contract. Otherwise it could not repudiate the act, for it would fall within the general principle that a principal is bound by the acts of his agent done within the general scope of his business or employment; and such a contract clearly would be within the limit. For, indeed, this is the very business of the agent—to effect insurance.

The only thing necessary, therefore, for a person doing business with a general agent is to find out whether he is such an agent; and when this is learned then a person can safely transact business with him, doing anything within the general scope of his powers, unless the person actually knows that some limit or restriction has been put upon the agent. It is not his duty to find out what the powers of a general agent are, but simply whether he is a general agent or not.

But the rule is very different that applies to the liability of a principal who employs a special agent. In such cases it is the duty of the person doing business with him to inquire what his powers are, for the principal will not be bound beyond these. Such an inquiry, therefore, must be made. He must ask the agent to show the authority under which he is appointed, or in some way clearly convince the other what his powers are before any business can be safely done.

The authority of a special agent is often stated in writing, and the paper is called A POWER OF ATTORNEY. *In selling land an agent should always have such a power*, because a good title to land can only be given in writing, and this power of attorney should be copied in the records kept for this purpose with the deed itself to show by what authority the agent acted in selling the land. Every now and then when a person buys a piece of land and examines the title to find out whether it is perfect or not, he discovers that somewhere in the chain of title a deed was made by the agent of the seller instead of the seller himself, and the buyer had forgotten to put the power of attorney on record with his deed. The omission to do this is often serious. It is in truth just as important for an agent to have a proper power of attorney in such a case as to give a proper deed for his principal, and the one paper should be recorded quite as much as the other, as both are parts of the same story.

Sometimes an agent appoints a subagent. This may be orally or in writing. A good illustration is that of the collection of a cheque deposited with a bank. Suppose a cheque is deposited in a bank in Chicago drawn on a bank in Newark, N. J. The Chicago bank is, in the first instance, the agent for collecting it. The bank would send the cheque to another in New York, which would be its subagent, and that bank in turn would send it to a third bank in Newark, which would be a subagent of the New York bank. Thus there would be two subagents, besides the agent, employed in collecting the cheque.

There is an important question relating to the liability of one of these agents or subagents in the event of the negligent performance of the duty; which is responsible? Generally, it is said, if the general agent appoints a subagent he is nevertheless responsible for his act. Suppose a street contractor

employs a subagent to repair a street and he digs a hole and improperly guards it and some one falls into the place and is injured, can the person thus injured look to the contractor or to the subcontractor for compensation for his injury? The contractor is liable in such cases. It may be added, however, that although he is liable to the person injured, he may be able to recover of the subcontractor or subagent. But this rule does not apply to the banks in every State. In some of them the first bank in which the cheque was deposited is liable for the negligence of others that may be afterward employed in collecting it, and this rule prevails in the federal courts. In a larger number of States the first bank fully performs its duty in selecting a proper or reputable agent, and in sending the cheque to it for collection. Should the second or subagent be neglectful, the depositor of the cheque could compel that agent, and not the first, to make its loss good.

XIV. THE LAW RELATING TO BANK CHEQUES

A CHEQUE has come to be one of the most common of all writings. Almost everybody receives more or less of them. There are some principles that ought to be understood by every holder or receiver of a cheque which, we fear, are not as well known as they should be.

First of all, a person ought to present his cheque for payment soon after receiving it. Some people are quite negligent in this matter and carry cheques around in their pocket-books for several days before presenting them for payment. It may not be convenient to take them to a bank, and so they are carried around; perhaps their owners forget they

have them. They ought not to do so, for the reason that the maker of a cheque really says to the holder: "This is an order that I give to you on my bank for the money mentioned. If you go at once you can get payment, but I do not promise to keep it there always for you—only for a short time." Now if a person is willing to accept a cheque at all, he ought to present it within the time the holder intended, and if he does not and the bank fails, the loss falls on the holder and not on the maker.

What time does the law fix for presenting cheques for payment? The rule everywhere is that the holder must present a cheque received by him, if drawn on a bank in the place where he lives, on the day of receiving it or on the next day. If the cheque is drawn on a bank at a distance, out of town, then he should send it to that bank, either directly or by leaving it with another bank for that purpose, on the same day as he received it or the next day. In other words, *he must take steps to collect the cheque either on the day of receiving it or the following one*.

A friend of mine gave a cheque to a merchant in payment of a small bill. Both lived in the same town, where the bank on which the cheque was drawn was also located. About a week afterward the bank failed and the merchant wrote to him, stating the unwelcome fact and that the cheque had not been collected and desired him to send another. I asked my friend if he complied with the request, and he said: "Certainly." I told him that he ought not to have done so, for he was under no obligation either in law or morals to do such a thing. Had he known the above rule he would not have sent the second cheque, for it was pure negligence on the part of the merchant in not presenting it—in fact, on the same day it was received.

A person may, of course, hold a cheque for a much longer period than the time above mentioned and present it and receive payment, but the point that we are trying to make clear is that *the risk of holding it* during this period *is the holder's and not the risk of the maker of the cheque*. I suppose the merchant in the above case had, perhaps, lost the cheque. Every now and then one is mislaid and, consequently, is not presented for payment when it should be, but the maker ought not to suffer for the negligence of the receiver of his cheque. The rule of law that we have given is founded on justice, and if the receiver is negligent in not presenting it as he should, the holder ought not to suffer.

It is the duty of a bank to pay a cheque just as it is drawn, and if it makes any mistakes it must suffer. The reason for this rule is that the maker does not expect to see his cheque again after it leaves his hand, and when he puts his money in a bank for safe-keeping the bank virtually says to him that it will pay only on his order just as he has written. It will guard his interests carefully and pay no forged cheques or cheques that have been altered in dates or amounts, to his injury. Now, it is quite a common thing for cheques to be forged, and still more common for them to be raised. A scoundrel gets a cheque that is genuine, ordering a bank to pay $18, and changes it to $1800. He presents it for payment and it is paid. By and by the depositor finds out that he has not as much money in the bank as he supposed he had there. What has happened? Some one has altered one of his cheques and drawn out too much. He goes to the bank and makes inquiry, learns that this is so, and then demands that it shall make the amount good to him. Usually a bank is obliged to pay.

There is one limit to this rule. *A man making a cheque must be careful to write it in such a way that*

changes or alterations cannot easily be made. If he is careless, leaving ample space so that changes can be made in the amount, then he will be considered negligent, and a bank would not be obliged to make good his loss. If, on the other hand, he is careful in drawing his cheques then a bank's duty to protect him is plain, and it is liable in the event of neglecting to do so.

A few years ago a man drew a cheque for $250, dated it three days ahead, and left it with his clerk, directing him to draw the money on the day written in the cheque and pay the men who worked for him, and went away. The clerk thought that he would like to keep that money himself and take a little journey also, so he changed the date to one day earlier, went into the bank on that day and drew the money, and started for the Klondike or some other place. The maker of the cheque soon found out what had happened and demanded of the bank to make the amount good. The bank said to him: "Suppose the clerk had waited one day longer and then drawn the money, you would have been the loser just the same." The man admitted all this, but replied, nevertheless, that he had not changed the date; that the bank ought to have seen the alteration before paying, and as it did not it was negligent in that regard, and the bank was obliged to lose.

When a person takes a cheque he naturally supposes that the bank on which it is drawn owes the money to him because he can truly demand it. *Suppose a bank refuses to pay, can the holder then sue the bank for money?* In six States—Illinois, South Carolina, Missouri, Kentucky, Colorado, and Texas —the holder of such a cheque can sue the bank and get his money. The courts in those States say that a cheque is an assignment or transfer of the amount of money stated to the holder of the cheque from the time that the cheque was given him. The law in all

of the other States is otherwise, and a bank for a good reason can decline to pay a cheque, and, in any event, the holder cannot sue the bank for the amount. If it will not pay he must look to the maker and not the bank for payment. Of course, *a cheque must always be drawn against a deposit, and it is a fraud on the part of a person to draw a cheque on a bank when he has no money there*. Sometimes mistakes are made by banks in their bookkeeping, and they think they have not the money to pay when in truth they have. In such cases they sometimes decline to pay, but even if they had the money the law says that there is no contract between the holder of a cheque and the bank on which it is drawn, and therefore the holder cannot sue it should it refuse to pay. This rule, however, is rather losing ground and the other is coming into more general favour—that a cheque does operate to transfer the money of the maker to the holder and, consequently, that he has a right to sue the bank for the money.

Cheques are made payable either to bearer or order. If a cheque is made payable to bearer it can be transferred from one person to another simply by handing it to him—by delivery; but if a cheque is made payable to order, then the person who receives it, if wishing to transfer it to some one else, must write his name on the back. If he writes his name on the back it is called a blank indorsement, and this form is often used in transferring cheques. If, however, a person intends to send a cheque through the mail he should never write it payable to bearer, but always payable to the order of a particular person, so as to require his name to be written thereon in order to make a good transfer. This is a much safer way of sending cheques than simply by making them payable to bearer.

XV. THE LAW RELATING TO LEASES

A LEASE IS AN AGREEMENT, and, as every one knows, usually relates to the hiring of lands and houses. *If the agreement is to be for a longer period than one year it should be in writing*, for if it be not either party can avoid it, not morally but in law. The statute of frauds, which has been explained, would shield either party in not carrying out such an agreement if it were not in writing if by its terms it was to last for a longer period than one year.

There is another very important reason for putting such an agreement in writing. Much of the law relating to the two parties, landlord and tenant, is one-sided and in favour of the landlord. Our law on that subject is based on the English law. It was imported in the early colonial days, and, though it has been greatly changed by statute and by decisions of the courts, it is still very one-sided, as we shall see before finishing this paper. For this reason, especially, all leases relating to houses and stores or other buildings, even for a short period, should be in writing, with the rights and duties of both parties fully stated, so that both may clearly know what to do and to expect.

Unless something is said in the lease concerning repairs the landlord is not obliged to make any. This statement shows at once the need of having a written lease. If the house is out of order—the locks, blinds, doors, and windows are not in good order—the tenant cannot claim anything of the landlord or require him to put them in good condition. Even if a house should become unfit for habitation in consequence of fire, or is blown down, or is flooded with water, the landlord is not bound to do anything unless he has stated that he will in his lease.

A fire broke out not long since in a large warehouse and burned it so completely as to render it wholly unfit for use; indeed, all the merchandise in it was wholly consumed. Nevertheless, when the lease expired and the tenants refused to pay as they had agreed to do, the landlord brought a legal proceeding against them to compel them to pay during the entire period, as though they had been staying there and selling goods and making money, and they were compelled to pay. *This is the common law on the subject*, and every tenant is bound to pay in such cases unless he has clearly stated in his lease that he is not to be holden in the event of the destruction of the building by fire, flood, lightning, or other cause.

Furthermore, it may be added that leases nowadays are often furnished with blank spaces to be filled up with names, the amounts to be paid, times of payment, etc., and persons often sign them without even reading them. They should not do this. They should be careful to read them over two or three times or more, until they fully understand them and are sure of their nature before signing or executing them. People are still more negligent in taking out insurance policies without reading them. They are very long and parts of them are printed in fine type and, perhaps, are quite difficult, especially for old eyes, to read. In truth some of the most important parts are put in the finest print—some of the exceptions against loss and other matters, which, we are quite sure, if a person when taking out a policy should read over and understand he would insist on having changed.

If a house becomes unfit for living therein by its own fault—for example, if it is overrun with rats, or becomes so decayed that the weather invades and is thereby rendered unfit—the tenant, so the law says, has indeed the privilege of quitting, if he did not

know these things at the time of entering; but if he did, he would be required to live there, however much he might dislike the company of rats or the presence of the snow or rain, and also to pay his rent; or, if quitting for that reason, he would still be responsible for the rent as he would if living in the house. An eminent legal writer has stated the principle in this way: The tenant can leave if the defect was not known or anticipated by him, or known or anticipated if he had made a reasonable investigation or inquiry before he took the lease.

A tenant is not required to make general repairs without an agreement, but he must make those that are necessary to preserve the house from injury by rain and wind. If the shingles are blown off or panes of glass are broken others must be put in their places; and it is said that he would be bound even for ornamental repairs, like paper and painting, if he made an agreement to return the house in good order.

A tenant of a farm must manage and cultivate it by the same rules of husbandry as are practised in his vicinity, and if his lease ends by any event that is uncertain and could neither have been foreseen nor foretold, he is entitled to the annual crop sowed or planted by him while he was in possession.

As we have stated, if the house is wholly destroyed the tenant must still pay the rent, for the reason, which to many may seem absurd, that the law regards the land as the principal thing and the house as secondary. It is true that a man, in the event of his house burning down, might pitch a tent on the ground and live there, but it would be a decidedly chilly way of living, especially in the winter-time, in the northern part of our country. If a tenant should agree to return and deliver the house at the end of the term in good order and condition, reasonable

wear and tear only excepted, he would be obliged to rebuild the house if it burned down. Once more, we ask, in view of these things, ought he not to make a written lease and well understand its terms before signing it?

The times for paying rent are usually specified in the lease, if one is made. When they are not the tenant is governed by the usage of the country or place where he lives.

When nothing is said about underletting the whole or a part to some one else the tenant has a right to do this, but remains bound to the landlord for his rent. Generally when written leases are made there is a clause stating that the tenant cannot underlet any portion or all without the landlord's consent.

A tenant is not responsible for taxes unless it is expressly agreed that he shall pay them.

If a lease be for a fixed time the tenant loses all right or interest in the land as soon as the lease comes to an end, and he must leave then or the landlord may turn him out at once, or, in other language, eject him. If, however, he stays there longer with the consent of the landlord he is then called a tenant at will and cannot be turned out by the landlord without giving a notice to him to quit. The statutes of the several States have fixed the length of time that a notice must be given by the landlord to his tenant before he can turn him out. In many States a notice of thirty days must be given; sometimes sixty days' notice is required, or even longer.

It is an important question *what things a tenant may take away with him at the expiration of his lease*. Of course, there is no question whatever with respect to many things. Besides his wife and children he may take all his furniture and other movable property. But there are many things fixed to the house by the

tenant that he desires to remove if he has the right to do so, and many questions have been asked and decided by the courts relating to this subject. The method of fastening them to the house is the test usually applied to determine whether they can be taken away or not. If they are fastened by screws in such a way as to show that the tenant intended to take them away, he can do so, otherwise he cannot.

In modern times the rule has been changed in favour of the tenant, and whatever he can remove without injuring the house, leaving it in as good condition as it would otherwise be, he can take away; for example, ornamental chimney-pieces, coffee-mills, cornices that are furnished with screws, furnaces, stoves, looking-glasses, pumps, gates, fence rails, barns or stables on blocks, etc. On the other hand, a barn placed on the ground cannot be removed, nor benches fastened to the house, nor trees, plants, and hedges not belonging to a gardener by trade, nor locks and keys. Of course, all these things may be changed by the written lease, and it should be clearly stated what things may be removed concerning which any doubt may arise. We have heard of a case in which a tenant put a pier-glass into a house, fastening it by means of cement. He asked and was given the landlord's permission to do this at the time of putting it in, but when the lease ended the landlord would not allow him to take it out, and an appeal was made to a court, which decided in favour of the landlord. Doubtless this decision is correct. If the glass could have been taken away without injuring the wall then it belonged to the tenant. This shows the need of putting such matters in writing; otherwise the tenant will suffer unless the landlord be a man of the highest integrity.

XVI. LIABILITY OF EMPLOYER TO EMPLOYÉS

Persons who are employed in mills, in erecting buildings, by railroad companies, and others, are frequently injured while pursuing their employment, and the question has often arisen whether the employer was liable for the injury thus suffered by them. The more important of these questions we propose to answer in this and the following lecture, as they are matters of every-day importance to many people.

First of all, an employé to recover anything for the loss that may have happened must show that in some way *his employer was negligent*. He cannot get something simply because he has been injured. The law in no country has ever said that he could. In all cases he must show that his employer failed in his duty in some way toward him to lay the foundation of an action against him. This is the first principle to keep clearly in mind.

Again, it is said that an employé cannot recover if the injury has happened to him in consequence of the negligence of a fellow-servant. By this is meant a person engaged in the same common employment. It is not always easy to determine whether two persons employed by the same company are fellow-servants, as we shall soon see, but the principle of law is plain enough that in all cases where they are thus acting as fellow-servants they cannot recover for any injury. The law says this is one of the risks that a person takes when he enters the service of another. Suppose a person is at work mining coal and is injured by another person working by his side through his negligence. However severely injured he may be he cannot get anything, because the

person through whose negligence he has been injured is a fellow-workman.

But many employés may have the same common employer and yet not be fellow-servants. For example, a brakeman would be a fellow-servant with the conductor and engineer and other persons running on the same train or on other trains belonging to the same company, but he would not be a fellow-servant working in the same line of employment with those who are engaged in the repair-shop of the company.

This statement is quite sufficient to show the difficulty there is sometimes in deciding whether a person is a fellow-servant or not. If a person is injured through the negligence of another employed by the same company who is not a fellow-servant, then he can recover if there are no other difficulties in the way, otherwise he cannot. It does not follow that fellow-servants are of the same grade or rank; the test is whether they are acting in the same line of employment. The brakeman's position is not so high as that of the engineer or conductor, yet all three are acting in the same line of employment, and if any one of them was injured by another in that part of the service the employer would not be liable.

In a very large number of cases, therefore, employers are not liable for accidents happening to their employés, because they are injured through the negligence of other employés engaged in the same line or subdivision of the common service. Perhaps employers escape more frequently on this ground than on any other from paying anything for losses.

Yet there is another ground on which they often escape paying anything. An employé is supposed when making his contract with his employer to take on himself all the ordinary risks arising from his

employment. These in many cases are very numerous. He does not assume extraordinary risks, but he does assume all ordinary risks that are likely to happen to him. Employés are injured every day and yet can recover nothing, because their injury is simply a common one, the risk of which they have assumed.

Would it not be possible to make an employer liable for them all? Undoubtedly an employé could make a contract of this kind if he wished and his employer was willing to do so, but if they did the employer would be unwilling to pay as high wages. The greater the risk assumed by the employé the larger is the compensation paid; the one thing is graded by the other. It was stated when considering the rights and duties of common carriers that they have been lessening their liabilities; on the other hand, they are carrying for smaller prices than they once did. Doubtless a carrier would be willing to assume more risks—every kind of risk, in short—if he were paid enough for it, but shippers ordinarily are willing to assume many risks for the sake of the lower rates and insure their risks in insurance companies. Just so the working-men prefer higher wages and assume many risks of their employment. There is nothing unfair in this. For example, the persons who are engaged in making white lead run an unusual risk in pursuing their employment. It is said nowadays that if they use the utmost care in protecting themselves from inhaling the fumes that arise in some stages of this process, they can live quite as long as other people. But unless they do exercise every precaution their system finally becomes charged with the poison that arises from this process and their lives are shortened. They well understand this before beginning the work; they are told of the risks and are paid high wages. If, therefore, they undertake such employment, well knowing the risks, they have no right to complain if

their health after a time suffers. No fraud has been practised on them, and we do not know that they do complain if they suffer any ill effects from their work.

XVII. LIABILITY OF EMPLOYERS TO EMPLOYÉS (*Continued*)

In our last lecture we stated some of the principles relating to the liabilities of employers to their employés; in this lesson the subject will be continued. *An employer is bound to use some care or precaution, and if he does not will be responsible for his neglect.* One of these is he must employ persons who are fit for the work they are set to do. If an employer in mining should put a man to work by the side of another to mine coal who he knew was not a skilful workman, and, in consequence of this unskilful workman's unskilfulness, other miners were injured, he would be responsible for hiring such a man. Every one will see the justice of this rule.

The employer must also give proper instructions to the person employed whenever he does not understand his duties. If a person is employed to run a laundry machine who does not understand how to work it, and other employés are injured through his ignorance, the employer would be liable. He must, therefore, tell such a person what to do; he has no right to hazard the lives of others by putting any one who has no knowledge of a machine to work without instructing him properly. Again, if a person pretends to be capable, and the employer, believing him, engages him, and it is soon found out that he is not, then it is the duty of the employer either to dismiss him or to give him proper instructions. The rule, however, on this subject is not the same everywhere. It is sometimes said that if an employé continues to work by the side of another after knowing that this other is incompetent, it is his duty

to give notice to the employer, and if the employer continues to employ him, to quit. If he does not he assumes the greater risk arising from his knowledge of the incompetency of the other.

It is the duty of the employer to furnish proper appliances for his workmen. He must furnish proper tools and machinery and safe scaffolding, and in every respect must show a reasonable degree of care in all these particulars. But the courts say that he is not obliged to exercise the *utmost* care, because the employé takes on himself some risk with respect to the tools and machinery he uses. For example, it is said that employers are not obliged to use the latest appliances that are known or appear in the market for the use of their workmen. If an employer has an older one that has been in use for years, and the employés have found out all the dangers attending its use, and a new one appears that is less dangerous to use, the law does not require the employer to throw the older one away and get the other. It is true that in many States within the last few years statutes have been passed by the legislatures requiring employers to be much more careful than they were formerly in protecting their machinery. Many injuries have happened from the use of belting, and the statutes in many cases have stated what must be done in the way of enclosing belts, and of putting screens around machinery, and in various ways of so protecting it that persons will be less liable to suffer. Furthermore, inventors have been very busy in inventing machinery with this end in view. The old-fashioned car-coupler was a very dangerous device, and many a poor fellow has been crushed between cars when trying to couple them. A coupler has been made in which this danger no longer exists; in truth, there has been a great advance in this direction.

An employer must also select suitable materials on which to work. This is a well-known principle. If he

does not, then he is responsible for the consequences. In one of the cases a person was injured while erecting a scaffolding from the breaking of a knotty timber. The testimony was that the knot was visible on the surface and if the stick had been examined the defect would have been seen. That seemed a slight defect, surely, but the consequence of using the timber was very serious, and the court rightly held that as this defect could have been seen, had the timber been properly examined, the employer was responsible for the injury to a workman who was injured by the breaking of it.

An employer must also select suitable places for his employés. In one of the cases a court said a master does not warrant his servant's safety. He does, however, agree to adopt and keep proper means with which to carry on the business in which they are employed. Among these is the providing of a suitable place for doing his work without exposure to dangers that do not come within the reasonable scope of his employment. In one of the cases a company stored a quantity of dynamite so near a place where an employé was working that he was killed by its explosion. The court held that it was negligence on the part of the company in requiring its employé to work so near the place where this explosive material was kept.

It is said that if an employé knows that a machine which he is to operate is defective when accepting employment he can recover nothing for the consequences. He assumes the risk whenever he thus engages to work. If the service be especially perilous and yet he clearly understands the nature of it and is injured when performing it, he can get nothing. Doubtless in many of these cases he is paid a larger sum for working under such conditions. Whatever may be the truth in this regard, the

principle of law is well understood that, if he has a full knowledge of the risk of his situation and makes no complaint about the nature of the machinery that he is to operate, he accepts the risks, however great they may be. In one of the cases an employé was injured by the kick of a horse belonging to his employer, but he recovered nothing, because he understood the vicious nature of the animal. The horse had kicked others; in fact, its reputation for kicking was well known, and the employé began work with his eyes wide open.

This rule also applies if tools, machinery, etc., become defective and the employé continues to work after the defects are found out. Of course, every one knows that tools wear out and machinery becomes weaker, and that is one of the natural consequences of using them. And so it is regarded as one of the risks ordinarily taken by an employé, and therefore he can get nothing whenever he is injured through the operation of a defective machine caused by the natural wear and tear of time.

EXAMINATION PAPER

NOTE.—*The following questions are given as an indication of the sort of knowledge a student ought to possess after a careful study of the course. The student is advised to write out the answers. Only such answers need be attempted as can be framed from the lessons.*

1. (*a*) What is a contract? (*b*) What is the difference between a simple and a special contract? (*c*) What contracts can be made by a minor? When and how can he ratify them? (*d*) If a person makes a contract to work for one year and breaks it after working six months can

he collect six months' wages? (*e*) Give illustrations of six different kinds of contracts.

2. (*a*) When is it necessary that contracts be in writing? (*b*) In what case is a failure of consideration a good defence to a contract? (*c*) Is a consideration required to make an offer binding? (*d*) Is the delivery of goods essential to make a sale complete?

3. (*a*) What are the different kinds of warranties? (*b*) Suppose A should buy goods and pay for them, but not take them away, and afterward B should buy them and take them away—could A recover the goods from B?

4. (*a*) What is the difference between a public and a private carrier? (*b*) Must a public carrier take everything offered? (*c*) What rules of liability apply to common carriers, and how can they be modified?

PREPARING COPY FOR THE PRESS AND PROOF-READING

I. PREPARING COPY

Our purpose in these few lessons is to give some explicit directions as to the general make-up of manuscripts intended for printing. Every person who has even a business card or a circular to print should have a knowledge of the common phraseology of a printing house.

As to paper, the size in most common use for manuscripts is what is known as *letter*. The sheets in any case should be of uniform size. Avoid all eccentricity and affectation in the preparation of your manuscript, or "copy," as printers call it. The more matter-of-fact and businesslike it is the better.

If at all possible have your manuscript type-written, and under no circumstances should you roll the sheets when preparing them for the mails. There are a number of large publishing houses which positively refuse to touch rolled manuscripts. The very first impression created by such a manuscript is one of extreme irritation. A rolled proof is pretty nearly as discouraging, yet many printers still follow the annoying practice of rolling their proofs.

Every printing establishment of any note has its methods and customs as regards orthography, the

use of capitals and of punctuation. As a rule it is best to leave doubtful points to the printer. Any little deviation desired may be easily remedied in the proofs.

Paragraphs should be boldly indicated by setting the line well back in the "copy." Extract matter included in the text should be clearly shown, either by marking it down the side with a vertical line from beginning to end or by setting the whole well back within the compass of the text. Such matter is commonly set in slightly smaller type.

With regard to the corrections in the proofs it must be remembered that the more carefully an article is written the smaller the expense for author's corrections. This charge is often a great source of contention between the author and the printer, and, altogether, is an unsatisfactory item. A printer is bound, with certain reservations, to follow the "copy" supplied. If he does that and the author does not make any alterations there is no extra charge and nothing to wrangle about. A small correction, trivial as it may seem to the inexperienced, may involve much trouble to the printer. A word inserted or deleted may cause a page to be altered throughout, line by line, and a few words may possibly affect several pages. The charges made for corrections are based on the time consumed in making the necessary alterations.

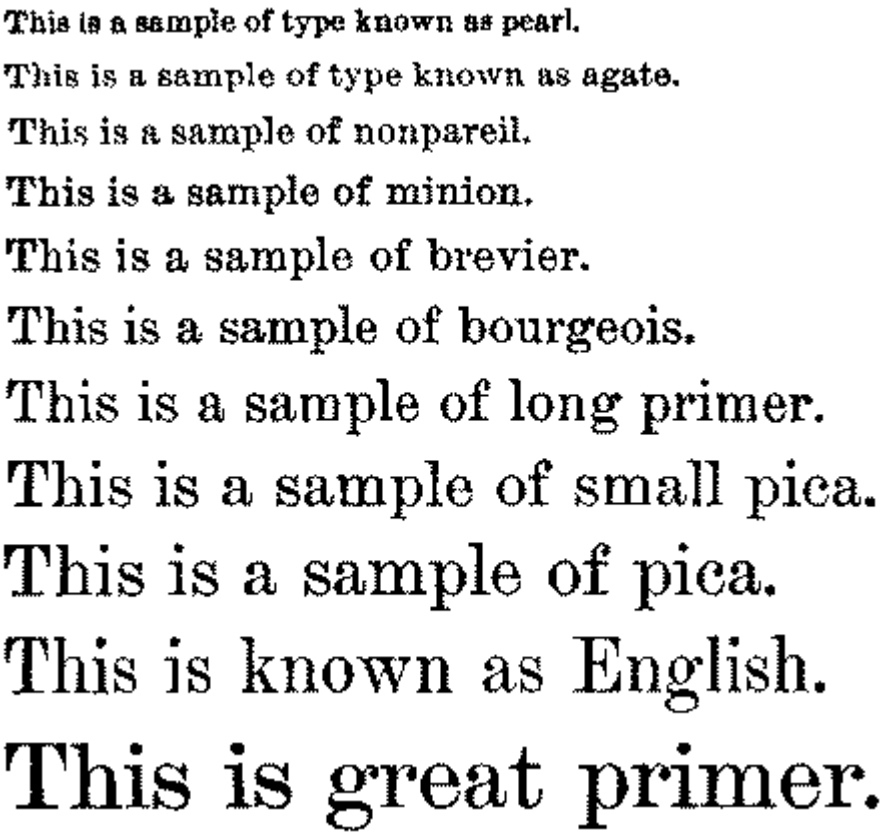
II. ON THE NAMES AND SIZES OF TYPE

The beauty of printed matter depends very largely upon the selection of a suitable style of type. For books and newspaper work there are in use two

general classes known as (*a*) *old style*, (*b*) *modern*. These names refer to the shape of the letter and not to its size. The several sizes of type commonly used in all plain work are as follows:

1. PEARL.
2. AGATE.
3. NONPAREIL.
4. MINION.
5. BREVIER.
6. BOURGEOIS.
7. LONG PRIMER.
8. SMALL PICA.
9. PICA.
10. ENGLISH.
11. GREAT PRIMER.

PICA is universally considered as the standard type, just as the *foot* is the standard of measurement. The twelfth part of a pica is the unit, called a *point*, by which type bodies are measured. In many printing offices the type is known as *6-point*, *8-point*, *10-point*, *etc.*, instead of as *nonpareil*, *brevier*, *long primer*, *etc.* The following specimens show the sizes of the type in common use:



The student must bear in mind the fact that these names refer to the *size* of the type. For instance, there may be a dozen different styles of brevier or of pica; a particular specimen of printing may be entirely in long primer, yet some words may be capitals, others italic, others boldface, and so on.

AGATE is the size of type used in measuring advertisements. There are fourteen agate lines in an inch.

A complete series of type of a particular size is called a *font*; as a font of brevier, or of pica. Such a font would include:

CAPITALS
SMALL CAPITALS
lower-case
ITALIC CAPITALS
italic lower-case.

Also *figures*, *fractions*, *points*, *references*, *braces*, *signs*, *etc.* Printers divide a font of letters into two classes:

1. *The upper-case sorts.*
2. *The lower-case* } }

The *upper-case sorts* are *capitals*, *small capitals*, *references*, *dashes*, *braces*, *signs*, etc.

The *lower-case sorts* consist of *small letters*, *figures*, *points*, *spaces*, etc.

Type lines are often bulked out by the insertion of thin strips of lead, this being called *leading*. Where no leads are employed the matter is said to be *solid*.

III. THE TERMS USED IN PRINTING

COMPOSITION. This is the name given by printers to the work of setting the type. The compositor holds in his hand a *composing-stick*, into which he places the type letter by letter, adding the spaces where necessary. A great deal of the newspaper work of the present day is set by type machines.

DISTRIBUTING. The type of a particular page or article after it has been used on the press or for electrotyping is distributed letter by letter in the *cases*. This work is much more rapid than

composition. Type to be used a second time is said to be *standing* or is called *standing matter*.

SPACES. Spaces are short blank types and are used to separate one word from another. To enable a compositor to space evenly and to "justify" properly, these spaces are cast to various thicknesses. An *em quadrat* is a short blank type, in thickness equal to the letter *m* of the font to which it belongs. Quadrats are of various sizes.

CALENDERED PAPER. This name is given to very highly rolled or glazed paper such as is used in illustrated work. *Laid* paper has a slightly ribbed surface. *Antique* paper is rough and usually untrimmed at the edges. It is made in imitation of old styles.

CAPS. and LOWER-CASE. These names are used to designate capitals and small letters.

CLARENDON. This name is commonly given to a *bold* and *black-faced type*, such as used in text-books to bring out prominently particular words.

DUMMY. An imitation in style and size of a book or pamphlet that is wanted, usually made up with blank paper.

ELECTROTYPE. Electrotype or stereotype plates are made from type. Books are usually printed from such plates.

GALLEY PROOF. As the type is set up it is removed from the composing-stick to long forms called *galleys*. A proof taken of the whole galley at once is called a *galley proof*. Book work should be revised in galleys before it is made up into pages.

IMPRESSION. A *flat-pull* or first impression is a simple proof usually pulled in job offices by laying

a sheet of damp paper on the inked type and pounding with a flat-surfaced weight to get the impression.

INDENT. To set a line some distance forward, as in the case of a new paragraph.

LETTERPRESS. Printed matter from type as distinguished from plate printing.

MAKE-UP. To measure off type matter into pages.

OFF-SET. It frequently occurs that as the result of insufficient drying or from other causes the impression of one sheet appears on the back of another; such work is said to *off-set*.

OVERLAYS. In making ready for the press the pressman finds it necessary to add here and there, by pasting, thicknesses of paper to his roller to bring out properly the light and shade of an illustration or to get an even ink impression from the type or plates. This work is called *making overlays*. In expensive illustrated work specialists are engaged solely for the purpose of making overlays.

PRESS PROOF. The final proof passed by the author or publisher.

PROCESS-BLOCKS. Blocks produced by the photoengraving and other mechanical processes.

QUERY. A mark made on a proof by the printer to call attention to a possible error, sometimes expressed by a note of interrogation (?).

REGISTER. The exact adjustment of pages back to back in printing the second side of a sheet.

SIGNATURE. The letter or figure at the foot of a sheet to guide the binder in folding; also used by printers

to identify any particular sheet.

The various marks and signs used by printers will be explained in the lesson on proof-reading.

IV. MARKS USED IN PROOF-READING

The most important of the signs used in making corrections for the printer are as follows:

1.  Delete or expunge.
2.  A turned letter.
3.  Wrong-font letter.
4.  Change capital to small letter, ("lower-case").
5.  Insert period.
6.  Transpose words or letters as indicated.
7. Change roman to *italic*.
8. Change *italic* to roman.
9. Space to be inserted.
10. Matter wrongly altered to remain as it was originally. Dots are placed under the matter.
11. A bad or battered letter.
12.  Space to be reduced.
13.  Close up.

14.  Push down space or lead.

15.  New paragraph.

16.  Something foreign between the lines, or a wrong-font space making the type crooked.

17.  Line to be indented one *em* of its own body.

When letters or words are set double or are required to be taken out a line is drawn through the superfluous word or letter and the mark No. 1, called *dele*, placed opposite on the margin. (*Dele* is Latin for *take out*.)

A turned letter is noted by drawing a line through it and writing the mark No. 2 on the margin.

If letters or words require to be altered to make them more conspicuous a parallel line or lines must be made underneath the word or letter—namely, for capitals, *three lines*; for small capitals, *two lines*; and for italic, *one line*; and on the margin opposite the line where the alteration occurs the sign *caps.*, *small caps.*, or *ital.* must be written.

Where a letter of a different font is improperly introduced into the page it is noted by drawing a line through it and writing *w. f.* (*wrong font*) on the margin.

Where a word has been left out or is to be added a *caret* must be made in the place where it should come in and the word written on the margin. A caret is made thus: ^

Where letters stand crooked they are noted by a line, but where a page hangs lines are drawn across the entire part affected.

Where a faulty letter appears it is denoted by making a cross under it and placing a similar mark on the margin.

Where several words are left out or where new matter is to be added the added matter is written wherever convenient, and a line is drawn from the place of omission to the written words.

In making a correction in a proof always mark the wrong letter or word through and insert the alteration in the margin, not in the middle of the printed matter, because it is liable to be overlooked if there is no marginal reference to the correction. To keep the different corrections distinct finish each off with a stroke, thus /; and to make the alterations more clear or less crowded mark those relating to the left-hand portion on the left margin and those relating to the right-hand portion on the right margin.

The hints given here are intended for the general public and not for the printer, and to the student of these lessons let us say that the first essential of good proof-reading is clearness. Be very sure that the printer will understand the changes which you desire him to make. Quite often it is an advantage if you wish a particular style of type used to cut out a sample of that style and paste it on your copy or on your proof, indicating that you want it to be used. Instructions to the printer written either on the copy or on the proof should be surrounded by a line to separate them from the text, or to prevent any confusion with other written matter intended as copy or as corrections.

When the corrections have been duly made and approved by the author or editor it is customary to write the word "press" on the top of the first page. If intermediate proofs are wanted, mark on the proofs

returned to the printer "Send revise." The final or "press" proof is always retained by the printer in case of any dispute. It is his voucher, and he retains it for future reference.

It is a good plan to make corrections in a different coloured ink from that used by the printer's proof-reader. If you are having a pamphlet or book printed the different proofs will reach you in the following order:

1. *Galley proofs.*

2. *Revised proofs* (if any).

3. *Page proofs.*

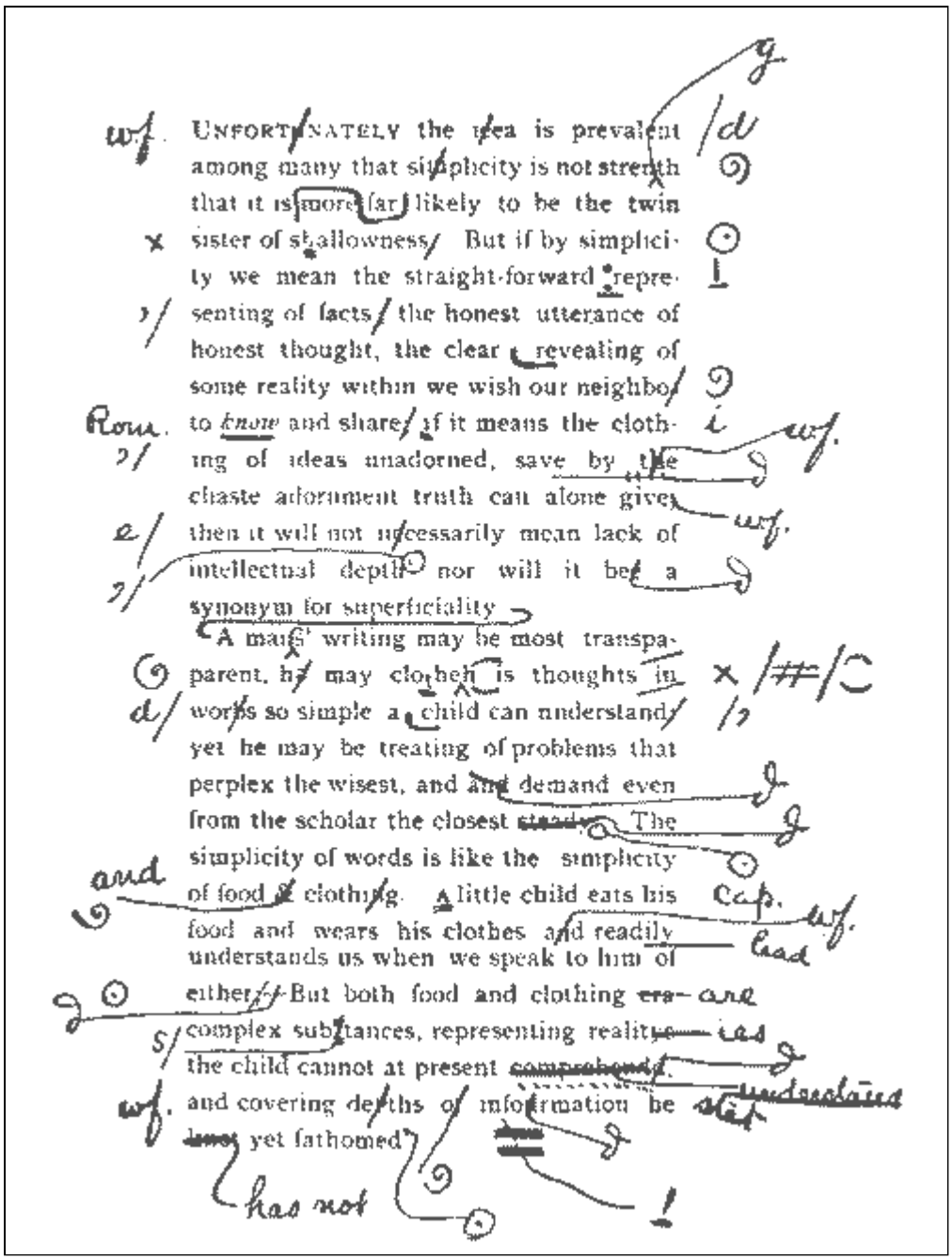
4. *Foundry proofs.*

UNFORTUNATELY the ieea is prevalent among many that simplicity is not strenth that it is more far likely to be the twin sister of shallowness. But if by simplicity we mean the straight-forward representing of facts, the honest utterance of honest thought, the clear revealing of some reality within we wish our neighbou to *know* and share, if it means the clothing of ideas unadorned, save by the chaste adornment truth can aloue give, then it will not necessarily mean lack of intellectual depth' nor will it bee a synonym for superficiality.

A maus' writing may be most transpaparent, hə may clotheh is thoughts in worbs so simple a child can nnderstaud: yet he may be treating of problems that perplex the wisest, and and demand even from the scholar the closest steady. The simplicity of words is like the simplicity of food & clothiug A little child eats his food and wears his clothes. and readily understands us when we speak to him of either;—But both food and clothing era complex substances, representing realitys the child cannot at present comprehendd, and covering depths oj inlourmation he knot yet fathomed'

A printer's proof.

So far as possible, make all the necessary changes while the type is in galleys. Once made up into pages, a very slight change, particularly such a change as the crossing out or addition of a sentence, may make a great deal of trouble. When the pages are passed upon they are sent to the foundry for casting. The foundry proofs are the last proofs pulled. Corrections made on these make it necessary to alter the electrotype plates, which is rather an expensive process. To change a word, a piece of the metal plate has to be cut out and another with the new word soldered in.



UNFORTUNATELY the idea is prevalent among many that simplicity is not strength that it is more far likely to be the twin sister of shallowness. But if by simplicity we mean the straight-forward repre- senting of facts, the honest utterance of honest thought, the clear revealing of some reality within we wish our neighbo- to *know* and share, if it means the cloth- ing of ideas unadorned, save by the chaste adornment truth can alone give, then it will not necessarily mean lack of intellectual depth nor will it be a synonym for superficiality.

A man's writing may be most transpa- parent, he may clothe his thoughts in words so simple a child can understand, yet he may be treating of problems that perplex the wisest, and demand even from the scholar the closest study. The simplicity of words is like the simplicity of food and clothing. A little child eats his food and wears his clothes and readily understands us when we speak to him of either. But both food and clothing are complex substances, representing realities the child cannot at present comprehend, and covering depths of information he has not yet fathomed.

A printer's corrected proof.

A page is said to *overrun* if it is too long. If the space to be occupied is limited it is a good plan to adapt your copy to it by counting the words and by comparing the count with that of some printed page in the same size of type.

Return proofs to your printer or publisher as promptly as possible. As a rule printing houses cannot afford to keep type locked up and unused waiting for the return of proofs. There are many imperfections in typography, such as wrong-font and inverted letters, awkward and irregular spacing, uneven pages or columns, crooked words and lines, etc., which it is the business of the printing house to correct. No book or pamphlet, therefore, ought to go to press until it has been read and revised by an experienced reader.

Strict uniformity should always be preserved in the use of capitals, in spelling, and in punctuation.

Where authors have their manuscripts type-written and make two or three revises upon the type-written sheets before their copy is turned over to the publishing house, the labour of proof-reading and the expenses of corrections are reduced to a minimum.

The errors shown in our illustration are more numerous than are likely to appear in any proof sent out from a publishing house.

Transcriber's Notes

	Page
• favorable changed to favourable	35
• favor changed to favour	49
• (5) changed to 5.	65
• contantly changed to constantly	115
• Ierland changed to Ireland	130

- battle-ships changed to battleships 150
- BREAD-STUFFS changed to BREADSTAFFS 152
- duplicated "from" deleted 162
- bread-stuffs change to breadstuffs 163
- June, 1898 changed to June 30, 1898 205
- proportiona t changed to proportion at 208
- duplicated "in" deleted 223
- typewritten changed to type-written 259
- everyday changed to every-day 350
- comma added after figures 384
- colored changed to coloured 389
- nessary changed to necessary 390

Illustrations that appear on pages 117, 199, 216 and 241 in the original publication do not coincide with page numbers in this eBook due to the positioning of illustrations and footnotes at beginning and/or end of paragraphs.

*** END OF THE PROJECT GUTENBERG EBOOK UP TO DATE BUSINESS ***

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