

Banking and Business Affairs in the U. S.

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With the current week the Liberty Loan campaign comes to an end. Notwithstanding the extraordinary efforts put forth, the full amount yet remains unsubscribed according to late reports. But before the subscriptions close, on June 15th, it is quite likely that the shortage will not only be made up but that there will be a large over-subscription.

In studying the history of this loan it must be remembered that it is being placed in a manner practically strange to recent American finance. Our States, municipalities, railways and industries do not ordinarily get their funds in this way. They go to their bankers, present their case fully, and invite bids or agree on a loan at certain rates. Popular loans are resorted to only in comparatively rare instances, although they have been more common in recent years than formerly.

There were several reasons why the Government in the present instance did not wish to employ a banking syndicate to float the pending loan. In the first place, banking funds will be needed for other purposes. And then the profits which banks make in Government loan operations are usually made the subject of criticism whether justly or otherwise we need not stop to inquire; but this criticism the Government might with reason wish to avoid at the present time. The advantage of affording the masses of the people a personal stake in the war through a contribution of funds for carrying it on is also obvious.

But the country lacks a large body of trained investors accustomed to making direct subscriptions to bond issues. Novel processes in investing one's money are slow in making their advantages clear to the average mind. This explains the necessity of the efforts which have been made to secure the subscriptions to the \$2,000,000,000 Liberty Loan. Until the returns are finally made up, it would be premature to infer that the amount will not be fully taken, and more.

LARGE CREDITS TO THE ALLIES.

The United States has already extended credit loans to the Allies to the amount of \$848,000,000, or substantially one-half the proceeds of the \$2,000,000,000 loan for which subscriptions will close in the current week. Treasury bills, or certificates of indebtedness, have been sold to the extent of more than \$900,000,000 to provide funds for making these advances. The authorized advances to the Allies which the Government may make is limited at present to \$3,000,000,000. If the war continues much longer, this amount will have to be increased. To provide credit for the other nations and to sustain our own augmenting fighting forces will undoubtedly tax American financial resources to the limit, for the task is by no means a light one. In one respect Canada and the United States are much in the same situation; that is, both are under the necessity of transporting troops and supplies for a long distance and maintaining an army far from home. In proportion to the number of troops sent abroad, this entails a very heavy expense. While already financial co-operation has advanced to a point where the gold stock of the world is being largely employed in the mutual service of the Allied Powers, the strain still to be imposed upon the world's credit facilities may call for even closer relations between the chief money centres. It is quite as essential that there be a complete financial understanding between the Allied Powers as it is that there should be a well-defined naval and military programme carried out under joint direction. Almost as much depends upon effective employment of money and credit as upon the right use of armies and navies. The tension upon the world's credit is so great at the present moment that care must be exercised to see that the weakest points are not subjected to a pressure that will cause a general collapse. In past years the term "Napoleon of Finance" acquired an unfavorable reputation, but clearly the present emergency requires someone with the genius for finance which the term implies.

THE WHEAT CROP.

Forecasts of the wheat crop as of June 8th give a total yield of 656,000,000 bushels for the present year, which is about 16,000,000 more than last year's crop. There will be a big crop of spring wheat and the

winter variety will turn out some 7,000,000 bushels more than was indicated in the report on May 1st. But with the enormous demand from Europe, and the lack of reserve stocks, the crop is regarded as far below the requirements. To export any wheat the United States must curtail its own consumption—something that in view of the fixed habits of the people will be very difficult to bring about in the absence of compulsory Governmental action.

Some opposition has developed among the farmers to the proposal to fix the price of grain, it being contended that if the Government adopts a policy of establishing a price for grain it should apply the same rule to other commodities—those which the farmer has to buy as well as those which he has to sell.

While there is at least relative deficiency in the wheat crop, other cereals promise well, oats showing the third largest output in the country's history, and rye will also largely exceed the record, with barley a heavy crop. Hay will probably be slightly below the average for recent years. The peach crop promises to be light, but the apple production should be good.

Taking the food situation as a whole, there is little or nothing in the crop outlook that is discouraging. The real difficulty, so far as this country itself is concerned, lies in the abnormal demands that will be made upon the wheat and other food crops. Properly to feed Europe, our people must shorten their own consumption of meat and grain. Mere admonitions to this effect will not do much good, because long-continued habits are not easily altered. A food dictator is not looked on with favor by many people, but such a functionary may yet become necessary.

MONEY IN CIRCULATION.

For some time the money in circulation in the United States has been increasing, and lately at a rapid rate. But on June 1st the money in circulation was slightly below what it was on May 1st, the figures being \$104,002,000 and \$103,859,000 on the respective dates, and the per capita circulation \$45.49 and \$45.61.

The increase in recent months has been in the shape of gold principally, and now that gold is being exported to a greater extent than it is imported, increase in the circulation from that source will not only be stopped, but if the next exports exceed our domestic gold production there will be a loss in the gold stock. If the situation at present had to concern itself purely with the requirements of our own markets the exportation of gold would be looked on as tending to correct a redundant currency. But, of course, the situation is less simple than that. Notwithstanding our large supply of money, including gold, the money market of late has shown a hardening tendency. The demand for foreign credits, and the bank advances necessary to enable our own people to make subscriptions to the home loans, call for the employment of funds to an unprecedented extent. While conditions in general remain as they are, it scarcely seems probable that gold will go out of the country in sufficient volume to affect the circulating medium to any appreciable degree.

THE RISE IN STEEL.

Accepting the maxim that steel is the barometer of prosperity, the present would seem to be an exceedingly prosperous time. Pig iron has gone to the unheard-of price of \$50 a ton, while the prices of finished and semi-finished steel products have soared to extraordinary heights. Governmental buying on an unprecedented scale is responsible for these sensational advances in prices, which are operating to restrict the use of steel for all but military and naval purposes. Building operations have begun to show a marked decline, a development which will hardly be altered while the war lasts. There will be plenty of construction, but principally for war purposes, as the high price of materials and of labor will render it very difficult for ordinary construction enterprises to make any headway.

Speculation in steel stocks has quite naturally followed the rise in the price of the metal, and shares in the leading companies have made notable advances. The stimulating effect of almost unlimited Government demand must continue for some time at least to exercise a controlling influence on the steel

market. When the war ends, however, the process of readjustment to a normal basis may not be altogether easy. Conditions of a similar nature are liable to affect various other commodities required by the exigencies of war.

PRODUCTION OF COPPER IN THE UNITED STATES.

Figures have just been made public showing the production of copper in the United States for 1916. The smelter output last year was 1,928,000,000 pounds, of the value of \$474,288,000, compared with 1,388,000,000 pounds in 1915, with a value of \$242,900,000. Alaska, Arizona, Michigan, Montana, Nevada, New Mexico and Utah were the chief producing States.

The apparent consumption of refined new copper in the United States in 1916 was 1,429,755,266 pounds, compared with 1,043,461,982 pounds in 1915.

Stocks of refined copper on hand amounted to 128,455,229 pounds on January 1, 1917, compared with 82,429,666 pounds on January 1, 1916, an increase of 45,625,563 pounds.

This report is of some interest and value, as showing a marked increase in the supply of a metal now in strong demand for use in war.

GENERAL CONDITIONS.

We have taken the first important step toward active participation in the war, namely, the registration of those eligible for military duty. While reports of the registration are not yet all in enough is known to indicate that the total will be in the neighborhood of 10,000,000, falling perhaps slightly below this figure. In a few weeks from this registration will be selected the units to compose the first armies to be put in the field.

The trade situation is less clear than could be wished. There is great activity in nearly all lines of industry, but high prices and the desire to economize are both somewhat restricting retail selling. There seems no immediate prospect of lower prices, but it may be hoped that before long the public may come to realize the propriety of economizing chiefly on luxuries and not curtailing their consumption of ordinary commodities. It is admitted that before proper adjustment, in this respect takes place, the Government may have to take action in the matter. Already taxes and licenses have been imposed with this end in view.

Cotton has recently gone to a record high price, offering a sharp contrast to the situation. Shortly after the war began, when people were implored to "buy a bale of cotton" for the purpose of checking the decline in the value of that product.

Railroad earnings, in gross at least, continue to make a better showing, but a great deal of the gain is absorbed by increased taxes and operating expenses. It is even feared that the fifteen per cent. advance in rates will not long afford material relief to the roads.

Bank clearings keep up well, both as compared with last week and a year ago, May figures making a record for that month.

Building operations, for reason already stated, have declined, and this tendency will probably continue indefinitely.

Our foreign trade is well maintained, and it is of especial interest to note that exports of breadstuffs were valued at \$58,619,131 in April this year, against \$40,218,692 for the same month of 1916, while meat and dairy products to the value of \$37,926,640 were exported in April, 1917, compared with \$24,111,765 for April, 1916. For the ten months ending with April this year we increased our exports of breadstuffs by about \$188,000,000 over the ten months ended with April, 1916, and in the same time increased our exports of meat and dairy products by about \$77,000,000.

It is apparent that the United States has shown less noisy enthusiasm over the war than many expected from a nation accustomed to exhibit its feelings very strongly. But to interpret this as evidencing a lack of real interest in the conflict, or a want of determination in seeing it through, would be a grave error. The country is not unmindful of its obligations and responsibilities, and is setting about to meet them. Such support as the United States may be able to exert in bringing the war to a close will proceed in an increasing ration from now on.

Business and banking interests here are not unmindful of possible contingencies, but there exists an undercurrent of confidence that the union of nations so strong as the United Kingdom, France, Italy, Japan and the United States, has definitely rendered impossible the domination of the world by German autocracy.