

Banking and Business Affairs in the U. S.

By ELMER H. YOUNGMAN, Editor Bankers' Magazine, New York.
(Special Correspondence of The Journal of Commerce).

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Plans are under consideration looking to the virtual closing of American money markets to foreign bond issues during the continuance of the war. Such action would be in the line with a general policy of conserving the country's financial resources for the most effective use both at home and abroad. The very magnitude of the task calls for concentration of management and the exercise of the greatest degree of care.

In future the buying of supplies for both the United States and the Entente Allies will be done through a purchasing commission, and the financial arrangements will be handled largely if not altogether by the Government, acting through the Treasury Department and the Federal Reserve Board. This arrangement, it is expected, will make for greater efficiency and economy, though undoubtedly depriving manufacturers and agents of some profits they have heretofore been receiving. But this loss may be partly compensated by steadier conditions than prevailed under the previous methods of making purchases.

It is still the hope of the Federal Reserve Board that a large number of the state banks and trust companies will come into the Federal Reserve System, so that the banking strength of the country may be still further united in meeting the vast financial problems of the present and future.

Some of the obstacles to the consummation of this desire have been removed by recent legislation liberalizing the Federal Reserve Act, but others yet remain. Of these the challenging of the right of country banks to make a charge when remitting for checks drawn upon them remains the most serious. A bill is pending in Congress to sustain the right to make this charge.

There is also opposition to the amount of reserves which the country banks are required to keep with the Federal Reserve Banks.

ABILITY TO MAINTAIN EXPORTS.

Naturally, some question exists as to the ability of the United States to maintain anything like its present rate of exports either of provisions or of manufactures. The labor involved in production must be called for in a constantly increasing ratio to provide military supplies of our own, not to mention the number of men withdrawn for actual service in the ranks. There will also be calls for more and more of food and materials here. By reducing demands in certain lines, by the display of greater energy, and by calling into more active employment those who have been wholly or partly idle, we may to some extent overcome the relative shortage in labor and supplies. But with all these economies, the question persists as to whether a nation can indefinitely continue to produce and export goods to anything like the present volume which our statistics record from month to month. This question, in ordinary times, might be answered by saying the demand which gave rise to such abnormal exports could not itself indefinitely continue; but in the face of the war conditions prevailing in Europe, and which may last for some time, this answer is unsatisfactory. The demand created by a war of such gigantic proportions approximates the illimitable. Indeed, there is a call for certain commodities on the other side quite beyond our power to meet as rapidly as desired.

In other circumstances, too, the purchasing power of our customers might limit the demand. But here again there is hardly any limit to such power. Not only are some of the greatest and richest nations of Europe banded together, with their wealth virtually turned into a common fund, but behind this combination of nations stands the United States also. In effect committed to a policy of using its own credit power unreservedly to provide the funds with which the European nations may keep up their buying. And while measures have been taken to keep prices down to a reasonable basis, and to eliminate large profits, even high prices will not stop this demand, for it is necessitous.

In short, nearly all the ordinary principles of economics, where these operate freely, are upset by the extraordinary conditions into which the world is now plunged by the great conflict.

THE FOREIGN TRADE.

Exports from the United States, for the first time in the history of the country, exceeded six billion

dollars in the twelve months ending with April, 1917, against less than four billion dollars in the same period of 1916, and two and a half billions or less in previous years.

Imports during the twelve months' period ending with April, 1917, amounted to two and a half billion dollars, against two billions in 1916.

During the month of April, 1917, exports of merchandise were valued at 530 million dollars, against 554 millions in March and 613 millions in January of this year.

For the ten months ending with April, 1917, the exports amounted to \$5,167,000,000, against \$3,394,000,000 one year, and \$2,225,000,000 two years ago.

The imports during April, 1917, amounted to \$254,000,000, which, with the single exception of March, is the record month of the last six years.

For the ten months ending with April, 1917, the imports amounted to 2,072 millions, against 1,723 millions in 1916 and 1,374 millions in 1915.

The excess of exports over imports amounted to \$3,560,000,000 in the 12 months ending with April, 1917, against \$1,914,000,000 in 1916 and \$848,000,000 in 1915.

For the ten months ending with April, 1917, the excess of exports amounted to \$3,095,000,000, an increase of \$1,424,000,000 over the excess of exports a year ago.

The imports of gold amounted to \$32,000,000 in April, 1917, against exports of gold amounting to \$17,000,000. The imports of gold during the ten months ending with April, 1917, amounted to \$833,000,000 which is \$490,000,000 more than a year ago.

The exports of gold during this period amounted to \$167,000,000, an increase of \$97,000,000. The excess of imports of gold over exports during the ten months' period ending with April, 1917, amounted to \$666,000,000 in 1917, against \$274,000,000 in 1916 an increase of \$392,000,000.

TRADING WITH THE ENEMY.

Legislation is pending which would prohibit trading with countries now at war with the United States. This action would not have much effect on the present export movement, for the reason that these countries, thanks to the British Navy, were not able to buy much from this country even before we became involved in the war. Actually, also, there has been no loss of trade on account of this prohibition, nor will there be any. We are trading with the world more than ever before, the increase consisting in the demands from the belligerents and from those neutral nations no longer able to get supplies from their accustomed sources. Of course, even if it involved great hardship, American business men would uncomplainingly submit to a law obviously designed in the public interest. But it is a source of some satisfaction that under existing circumstances our merchants and manufacturers are able to make this patriotic sacrifice of trade without really losing anything in the operation. They have all they can attend to from friendly sources.

In normal times trade flows in the ordinary channels, governed by the law of supply and demand, without much regard to the personal feelings of either buyers or sellers. Individuals trade with one another with more or less regard to personal likes and dislikes, it is true, but in the realms of international commerce, where personal contact between the buyer and seller is not the rule, exchanges go on without much respect to considerations other than those of a commercial nature.

No doubt, when the war ends, and in the absence of a combined economic policy upon the part of nations now allied, trade will gradually be resumed along the lines heretofore prevailing. Next to having the kind of goods the customer wants and at the price he is willing to pay, proximity counts most heavily in international trade. The United States and Mexico have been pretty much tangled up in their relations in recent years, but trade went on very much the same as before; or, at least, it was but little restricted on account of ill-will between the two countries. Producers and merchants seemingly took but little note of the serious problems confronting the diplomats and statesmen.

Canada and the United States offer an excellent illustration of the effects of proximity in international trade. Happily, in this case, the factor referred to has worked in conjunction with close and friendly relations.

A striking evidence of the growth of banking power in the United States was afforded by the recent announcement that a single bank in New York had subscribed \$75,000,000 to the Liberty Loan. Of course, this did not mean that the bank in question had bought that much of the new bond issue to hold in its own coffers, but that it was able to subscribe for that amount of the loan with the assurance that such part of the subscription as it did not wish to retain could be allotted to depositors and correspondents.

An event of this character now attracts little attention, for the public are so used to large banking figures that anything short of billions passes with scant notice. During the Civil War, when Secretary Chase wanted to raise \$50,000,000, it was necessary to form a syndicate of New York banks; now a single institution can take more than that without going outside its own list of dealers.

The vastly enlarged expenditures of the Government and the increase in the size of business concerns have required that banks should be able to handle much greater transactions than formerly. It is rather surprising, in view of these changes, that more bank mergers have not occurred, bringing together a number of large banks into one single institution that would be of commanding importance. But this has not taken place, and the tradition of separate and independent banks which has always been a striking feature of our banking history persists under conditions which might seem to call for a different policy.

While there have been few consolidations of large banks, another development has occurred which has created banks of the size demanded by modern business growth. These banks have added somewhat to their capital and reserve funds, but their chief growth has been along the line of deposit banking. The New York banks have managed their resources with such safety and skill that a large part of the surplus capital of the country and of the world has sought this market. And while the Federal Reserve Act tended to deprive New York of some of its importance as a financial center, relative to the rest of the country, this tendency has been so small as to be negligible, in fact, New York's importance as a money market is much greater now than it was prior to the enactment of the Federal Reserve Law.

THE BUSINESS SITUATION.

In our local business situation no unfavorable factors have developed. Bank exchanges for the week ended June 2 were \$5,457,333,510 (and this includes a holiday) compared with \$5,979,099,891 for the previous week and \$4,351,063,285 for the corresponding week of 1916. Business failures, though larger in May than in April, were below the same month for the two previous years. Stock prices toward the end of the week tended upward, and there was also an improvement in bonds. The condition of the cotton crop is below normal, being reported on May 25 at 69.5 per cent. against 77.5 per cent. on the same day of 1916 and 79.1 per cent. average on May 25 for the past ten years. Both foreign and domestic trade are at or near record figures. Prices generally continue to rise, the increase being attributed in many cases to the simple fact that dealers want to make more money and people are still willing to buy at the increased price.

There is an excellent outlook for the fruit crop, and it is estimated that the value of this year's product will be no less than \$500,000,000.

Wheat and flour have declined somewhat from the sensational prices of a few weeks ago, good crop reports from Texas and Oklahoma proving an important factor in bringing about the decline.

New financing for the past month was small, only \$48,300,000, which is below any other month since November, 1914.

So far as business depends upon sentiment, there appears nothing at present to retard the March of prosperity. But the opinion is again expressed that the war situation may have some rather startling surprises in store for business. The enormous amount of energy put into the Liberty Loan Campaign is a guaranty that the United States means to back up its challenge to Germany to the full extent of its power, and that this will in time count heavily in the struggle is apparent. Developments in Russia, and to a less extent the Chinese situation, are disturbing factors. It is beside the purpose here to deal with the military and political aspects of the war. These problems are for the consideration of military experts

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