

Banking and Business Affairs in the U. S.

By ELMER H. YOUNGMAN, Editor Bankers' Magazine, New York.

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The Congress of the United States, whose extra session is scheduled for adjournment to-day, has appropriated the stupendous sum of \$21,390,730,946. Not very many years ago, a "billion dollar Congress" was pointed to as a monster of extravagance, but no one hears any particular expressions of surprise, much less of criticism, for the vastly greater sums appropriated by the Congress just closed.

Of course, the circumstances are quite different from what they have ever been before. Other Congresses have appropriated large sums to meet ordinary expenditures, but now money is called for to an unheard-of extent to provide for national defense.

It is said the figure given above represents a greater appropriation of money than ever made by a legislative body in so short a time. While this may be satisfying as representing the popular determination to provide as quickly as possible any amount of funds which may be required, there is, unfortunately, another side to the matter. Congress has been called on to furnish, in one year, the funds for providing military equipment on a huge scale. It goes without saying that it would have been easier to do in three or four years what we must do in one year or less. Business and finance could better have stood the taxes and the loans, and prices would not have advanced so rapidly could the efforts we are now hurriedly making have been spread over a longer period.

This may afford a lesson for the future, but to dwell upon it now is of little benefit. Probably the people of this country are rather fond of showing what they can do under the spur of necessity, and present activity bears out this assumption.

It could well be wished that our delay had caused no loss to others, but this cannot be said. Unquestionably, however, the Government and people are doing all in their power to prevent further harm in this direction, as the huge appropriation of money in part witnesses.

LIBERTY LOAN CAMPAIGN.

We are now in the midst of the Second Liberty Loan Campaign, and it seems from the progress thus far made that the required \$3,000,000,000 and more will be raised without difficulty. Some fear is entertained by the banks that the four per cent which the Government is offering on this loan may draw a considerable sum of money from bank values. It has been proposed that those banks now paying less than four per cent, raise their rate to that point to prevent such withdrawals—a suggestion not viewed with favor by the Comptroller of the Currency, who has official supervision of the National banks.

If my information is correct, the Canadian banks have not lost savings deposits on account of the competition growing out of the Government's bidding for funds, but on the contrary they have made substantial gains in such deposits.

Since any funds which may be temporarily withdrawn from banks for investment in Government bonds are not locked up in the Treasury vaults, but are rapidly paid out for services and supplies, the inevitable result must be that increased expenditures, combined with a rise in prices, will swell bank deposits.

This is indisputably true of bank deposits aggregated for all the banks, but it is precisely at this point where the American banker feels concern. He does not see clearly how his own institution will share in the new distribution of funds. Will he get as much as he had before? That is the question. To some extent the reply will depend upon the ability of his immediate community to produce the goods and services which the Government requires. To a still greater extent, perhaps, it will depend upon the activity and energy displayed by the banks in keeping their advantages prominently before the public.

MORE TRUST COMPANIES IN FEDERAL RESERVE SYSTEM.

Following the recent entrance of the Guaranty Trust Company into the Federal Reserve System, announced last week, two other large New York trust companies have cast their lot with the new system. These are the Equitable and Metropolitan.

It is probable that other important trust companies will take similar action in the near future. Indeed, it would not be surprising if in the near future there would be a general movement on the part of State banks and trust companies into the Federal Reserve System.

The qualified degree of popularity which the system has heretofore attained among bankers has been due to the natural aversion which banks feel toward

the new and untried. Then some actions of the Federal Reserve Board, although undoubtedly well intended, were rather sweeping and suddenly upset established banking practices. Some of the earlier rulings have been modified, and this fact, combined with the gradual adaptability of the system developed in practice, makes the bankers more favorably disposed toward the Federal Reserve System than they were at first.

But at present the strongest incentive to membership on the part of State banks and trust companies consists in the patriotic impulse to afford the banking system of the country the greatest possible strength through unity. From their own standpoint, too, the banks doubtless realize that their position would be improved within the sheltering folds of the Federal Reserve System. With their numbers and the political influence they wield, any desired changes in the law could be made. In fact, should all the 30,000 banks of the United States enter the Federal Reserve System, the perfection of the system through needed legislation would be much easier than with the present limited membership.

SMALLER BANK BILLS.

At the session of Congress just closed a measure was passed which will permit National banks to issue their circulating notes in denominations of one dollar and two dollars, the smallest denomination heretofore existing being \$5, and notes of this denomination were restricted to one-third of the total circulation of each.

The new measure provides that "that part of the act of March 14, 1900, which provides that no national banking association shall . . . be entitled to receive from the Comptroller of the Currency or to issue or reissue or place in circulation more than one-third in amount of its circulating notes of the denomination of \$5" shall be repealed. Then the measure proceeds to provide that "from and after the passage of this act any national banking association, upon compliance with the provisions of law applicable thereto, shall be entitled to receive from the Comptroller of the Currency or to issue or reissue or place in circulation notes in denomination of \$1, \$2, \$5, \$10, \$20, \$50 and \$100 in such proportions as to each of said denominations as the bank may elect: Provided, however, that no bank shall receive or have in circulation at any one time more than \$25,000 in notes of the denominations of \$1 and \$2."

Briefly, the new law authorizes the banks to issue their notes in denominations of one dollar and two dollars to the amount of \$25,000, and other notes in such denominations as they may wish.

It was apparently at one time an axiom of banking — or rather of currency — that the smaller denominations of circulating medium should be made up of actual coin, and this principle was well illustrated by the restriction of Bank of England notes to denominations no smaller than £5; but the various expedients that have been recently employed in banking and finance have upset many long-cherished traditions.

In this country coin — except of a subsidiary character — has practically disappeared from circulation — not because of the war, but simply for the reason that the people generally prefer paper. The demand for bills of small denominations indicates great business activity, and has been accentuated by the fall trade.

NEW YORK CLEARING-HOUSE ASSOCIATION.

The annual meeting of the New York Clearing-House Association was held on October 2nd. By the Manager's annual report it is shown that total clearings for the year ended September 30, 1917, amounted to over \$181,000,000,000, nearly double the transactions of 1915, and an increase of over \$34,000,000,000 compared with last year. The average daily clearings are given as \$601,000,000, compared with about \$300,000,000 in 1915 and \$485,000,000 last year.

The Clearing House transactions for the year were as follows: Exchanges, \$181,534,031,387.84; balances, \$12,147,791,432.60; total, \$193,681,822,820.44.

The total transactions since organization of Clearing House sixty-four years ago amount to \$3,072,438,392,504.19. Largest exchanges on any one day during the year (February 6, 1917), \$1,218,586,762.17; largest balances on any one day during the year (March 13, 1917), \$133,761,391.33; largest transactions on any one day during the year (February 6, 1917), \$1,265,758,049.62; smallest exchanges on any one day during the year (August 6, 1917), \$333,575,821.74; smallest balances on any one day during the year (March 13, 1917), \$17,795,469.57; smallest transactions on any one

day during the year (August 6, 1917), \$365,764,811.64.

Largest daily transactions on record (February 6, 1917): Exchanges, \$1,218,586,762.17; balances, \$47,171,287.45; total, \$1,265,758,049.62.

The debit balances were paid in as follows: United States bearer gold certificates, \$3,083,023,000; United States order gold certificates, \$572,840,000; Clearing House note depository certificates: for legal tenders, \$2,423,520,000; for gold certificates, \$74,140,000; for silver certificates, \$1,066,030,000; settled through Federal Reserve Bank, \$4,641,580,000; United States legal tenders and change, \$4,808,432.60; total, \$12,147,791,432.60.

The Association is now composed of 23 national banks, 16 State banks and 14 trust companies. The Federal Reserve Bank of New York, and the Assistant Treasurer United States, at New York, also make their exchanges at the Clearing House. The Clearing House collection department also exchanges at the Clearing House, making 62 clearing institutions.

There are 21 banks and trust companies in the city and vicinity, not members of the Association, which make their exchanges through banks that are members, in accordance with constitutional provisions.

THE BUSINESS SITUATION.

There is nothing new in the business situation, although the decline during the week of a leading railway stock to a point not reached since the Civil War attracted some attention. Our railway situation has been made the subject of frequent comment in these letters, and the ground need not be gone over again at this time. It may be said, however, that the American railway problem yet remains to be settled. Had we not entered upon the war, with its attendant special demands upon the railways, that problem would now be engaging the country's attention.

As a matter of fact, when the war is over the railway question is only one of the many serious business problems that must be faced. While the discussion of these matters may now be inopportune, since it is extremely hazardous to predict the future, nothing is to be gained by ignoring them altogether. Not a few prominent bankers long ago began to scan the horizon for impending changes in the fabric of business and finance. The war has undoubtedly postponed for a time consideration of some of these changes. On the other hand, with the close of the war they may come with startling suddenness, and they may be extremely radical in their nature. There is much speculation on both these points, and no little apprehension. Meanwhile, under the abnormal conditions now prevailing, business continues at an exceptional pace.

STRIKE AT FORT WILLIAM ENDED.

Fort William, Ont., October 7.

By the unanimous vote of a mass meeting of the elevator workers taken at 11 o'clock tonight, the elevator strike which has paralyzed the grain traffic at this point and throughout the West for seven days, was brought to an end.

Leslie H. Boyd, chairman of the Board of Grain Commissioners, who has been appointed by order-in-council director of grain elevator operations at the head of the lakes, lost no time in exercising his authority and issued notice to the elevator operators of his appointment, securing assurance of their cooperation. The telegram confirming his appointment arrived just at the close of a meeting with the striking employees, during the course of which Mr. Boyd and E. N. Compton had outlined the action of the Government, and it was decided to hold a further session of the union men in the Trades and Labor Hall tonight at 7 o'clock.

Meanwhile, the Chief Commissioner had prepared a proclamation addressed to both the men and the managers, which was printed today and circulated to both parties to the dispute. The proclamation requested all the men to be at work at No. 1 dock Monday morning, and a call was made on the operators to have their plant ready by that time.

Mr. Boyd told the men that he was acting under the War Measures Act and he could only promise things for the period of the war and three months after. Meanwhile he would recognize the union and would take up the matter with Mr. Crothers. He also promised double pay for tomorrow, Thanksgiving Day. One of the demands of the men was double pay for holidays.

Mr. Boyd will also take up the question of double pay with the Minister of Labor.

The men decided to return to work without a dissenting voice.

The managers later assured Mr. Boyd that the movement of grain would re-commence at daylight Monday.