

Banking and Business in the U.S.

Enormous Mineral Production Last Year

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(Special Correspondence to The Journal of Commerce).

New York, January 6. Estimates place the mineral output of the United States for 1916 at a valuation of \$2,000,000,000, or more than twenty-five per cent greater than for the preceding year. This is digging the metals out of the earth at a rate which may lead to depletion in the not distant future. Conservation of natural resources, so far as relates to mineral wealth, does not yet seem to have made much impression. Large as are the deposits of valuable ores, they cannot be inexhaustible, and as a means of self-preservation, it may soon become necessary to take steps to check the intensity of certain kinds of mining. Greater general business activity and the war are responsible for the exceptional mineral output of 1916.

Reserve Banks Showing Better Profits.

Reports of better earnings of the Federal Reserve Banks will go far to reduce the tension between these institutions and some of the member banks which did not relish a compulsory contribution of capital, upon part of which they were to receive six per cent, if earned. For a time some bankers thought the prospect of ever getting anything in the way of dividends was not good, and there were even threats of withdrawal from membership, that, had they been carried out, might have disrupted the entire system. This dissatisfaction over earnings will now gradually disappear. It was perhaps not quite reasonable to expect that a new type of bank, of limited functions, should show very high earning powers at first. As a matter of fact, direct profit to the member banks is by many regarded as of minor consequence compared with the support given the whole banking fabric of the country by the Federal Reserve System.

Growth of Banking in New York State.

In a period of about two years, or from September 30th, 1914, to November 29th, 1916, resources of institutions under the supervision of the State Banking Department of the State of New York increased approximately \$1,500,000,000, or from \$1,380,417,973 to \$2,880,417,973. Trust companies increased their resources over \$588,000,000 in a year. The tremendous impetus given to business in many lines by the European war explains a considerable part of this exceptional growth. These figures, of course, do not include the national banks, which are under the jurisdiction of the Federal Government. The State banks of New York have long occupied a strong position. It is no secret that the National Bank Act itself was at least partially based upon the banking law of the State of New York. Some defects in the latter law have developed from time to time, but they have been generally corrected with promptness by the State Legislature.

Trust companies continue to gain largely in volume of business, as do the mutual savings banks. It is sometimes referred to as a curiosity of banking in the United States that these latter institutions have scarcely extended beyond the Alleghany Mountains, and with few exceptions, are unknown west of the Mississippi.

Free Telegraphic Transfer of Funds.

With the announcement of the free telegraphic transfer of funds, recently made by the Federal Reserve Bank of New York, there is brought to the front vexing exchange problems once more. Charges heretofore made by some banks for furnishing exchange were justified on the ground that shipments of currency were costly and should be paid for by the person receiving the benefit. Now, if funds are to be transferred upon the mere payment of the telegraph tolls, this contention can no longer be maintained. Bankers in this country are slow to realize that the Federal Reserve Banks have introduced, to a limited extent, of course, the branch banking system, and that under this system it is much easier to make transfers of funds. It has been said, in justification of exchange charges, that you cannot get money from one place to another by the mere act of wishing; and while this is true enough, the head office of a bank can transfer funds by an act much less clumsy than the shipping of currency, and this is what is gradually happening here. Such convenience as this innovation implies

has been enjoyed for many years by several European countries, where transfers by telegraph have been common, not only for banks, but for individual depositors.

Land Banks Getting Under Way.

Designation of districts has been made for the new land banks, authorized by the Rural Credits Law, and the cities named where the banks are to be located. Inauguration of another kind of bank in this country illustrates afresh the fondness of the people of the United States for variety in their financial institutions as in their money. There are so many sorts of banks that it is difficult offhand to name them, much less to define the spheres and functions of each. First, there is the Treasury, which is in some respects a bank, as it accepts deposits of gold and silver in exchange for paper certificates, and at seasons virtually makes loans to the banks. The postal savings banks and the Federal Reserve Banks are substantially Government institutions, though the share capital of the Reserve Banks are substantially Government institutions, all by the National banks. Then there are the National banks, State banks of deposit and discount, trust companies, Mutual Savings Banks, Stock Savings banks, private banks, and before long land banks will be in operation. It would seem this ought to provide all the financial machinery needed, and yet there are many who believe that a bank for trade and enterprise, modelled somewhat after the proposed British bank, is much wanted to complete the country's financial mechanism. Such an institution, it is claimed, would not only prove serviceable in extending American trade and enterprise in foreign fields, but might advantageously take over much of domestic financing now done by the ordinary commercial banks or the trust companies.

The Leak to Wall Street.

Both financial and political circles have been much perturbed of late by reports of premature disclosures of diplomatic correspondence at Washington, whereby speculators in Wall Street were enabled to reap considerable profits. It is not the first time that New York financial circles have been alleged to have advance information of important events at Washington. The action of the market has sometimes foreshadowed with remarkable accuracy the court decisions on important cases affecting the railways or other corporations. Very likely, in these cases, the Wall Street operators have simply taken the decisions on other similar cases as a criterion of what would be done in a latter case, and have been willing to take the chances. Often they have shown themselves shrewd guessers; but the present instances is not quite on a parallel, and there are definite statements of a Government leak to Wall Street. What an investigation of the matter may disclose, it is yet too early to state.

Savings Departments in National Banks.

Prior to the enactment of the Federal Reserve Law, some National banks were conducting departments to care for small savings accounts. On having the matter brought to his attention, the Comptroller of the Currency ruled that while the National Banking Act did not authorize this practice, it did not forbid it. But with the enactment of the Federal Reserve Law, this practice was recognized and legally sanctioned. The purpose of this was not only to provide, through the National banks, savings facilities in communities where there were no mutual or stock savings banks, but also to give the National banks an added opportunity for business and profit. In a number of localities the State banks of deposit and discount are authorized by law to do a savings bank business, and it was the aim of the provision of the Federal Reserve Act to place the National banks on an equality with the State banks in this respect.

In a recent ruling the Attorney-General of the State of New York declares that the banking law of that State prohibits the use of the term "Savings bank" or "Savings department" by a National bank. This, of course, is only an opinion, but until the matter is judicially determined will have the force of law in the State named.

As a general rule the Federal law is supreme or

banking matters where Congress chooses to legislate. But there may be a question in this case whether it was the intention of Congress to pass a law that would place the National banks in conflict with the institutions organized under State authority.

Increase in Agricultural Prosperity.

Farm crops for the past year were smaller in volume but larger in value than for the preceding year. Six of the leading cereals, while showing a decline of 19.6 per cent in yield, show a gain of 23.8 per cent in value. The total value of all crops for 1916 was 32 per cent above the 1915 value. Potatoes lost 20.6 per cent in yield and gained 87.8 per cent in value. Assuming that the war may last for some time yet, farmers might study with profit the crops that have shown exceptional advances in values, much greater than the slightly lessened yield would seem to warrant. Not long ago, Southern farmers were advised to plant less cotton, counsel which does not seem very wise now, for the advance in the value of cotton in 1916 over 1915 was 78.6 per cent on an increase in yield of 2.8 per cent.

Acceptances Growing in Favor.

Statistics recently compiled by the Comptroller of the Currency show that bank acceptances are growing in favor and playing an important part in financing foreign trade. On a recent date the New York banks reported total acceptances at \$153,807,400, and fairly large amounts were reported by the banks of Philadelphia and a few other cities. A good deal of the new mechanism of finance introduced by the Federal Reserve Act has been found especially serviceable during the period of war financing. Undoubtedly, the banks as a whole, have a greater feeling of security than they had prior to the enactment of the law, and this has made them freer to engage in foreign financing.

Bank Loans and The Munitions Trade.

Reports have been current of late that the ruling of the Federal Reserve Board frowning on bank advances on foreign Treasury bills has resulted in the cancellation of munitions contracts made by the Entente Allies in the United States and the turning of these orders over to Canada. The recent \$50,000,000 advance by the Canadian banks and the very large trade in munitions do not necessarily indicate, however, that American finance is to be less actively concerned than heretofore with the war operations on the other side. The Federal Reserve Board's ruling was intended primarily to safeguard the liquid character of the assets of the larger banks, not to stop the war trade. There will be other large loans, though in different form.

Growth of the Manufacturing Exports.

Figures compiled by the National City Bank of New York show that the United States, in the year 1916, made a new world's record for the export of manufactures — \$3,000,000,000, compared with a total of \$2,000,000,000 made by Great Britain in 1913, the previous high record. Of course, the phenomenal figures for last year were due in large part to the war exports, but it is not without interest that prior to war, America's share of the world's exportation of manufactures was gaining more rapidly than those of the other great exporters of manufactures. Great Britain's exports of manufactures grew from \$1,140,000,000 in 1903 to \$2,012,000,000 in 1913, an increase of approximately 77 per cent; those of Germany from \$784,000,000 in 1903 to \$1,681,000,000 in 1913, an increase of 115 per cent; those of France from \$470,000,000 in 1903 to \$772,000,000 in 1913, an increase of 65 per cent; while those of the United States grew from \$468,000,000 in 1903 to \$1,185,000,000 in 1913, an increase of 153 per cent. These figures illustrate the changing of the character of American exports from food and raw materials to manufactured products.

Railway Construction at a Standstill.

While there was slight gain in railway construction in 1916 as compared with 1915, the amount of new mileage built was smaller than for any other year since 1864. This notwithstanding that the railways are showing largely increased net earnings. The claim is made that this represents only a temporary improvement, and that until the future Governmental policy toward the roads is more clearly defined, they would not be justified in making new constructions or adding largely to the equipment of existing lines. From the very large car shortage, and the embargo on the movement of certain kinds of freight, it is evident that the facilities of the roads are inadequate to meet present demands. Possibly the railway executives are rather more pessimistic than the fact warrant, though the roads have undoubtedly suffered from a multiplicity of State regulations. Still, the steady growth in earnings and the heavy

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