Banking and Business Affairs in the U. S.

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If there were any persons who believed that Pope Benedict's peace note offered a definite basis for beginning negotiations for ending the war, their hopes have been shattered by President Wilson's flat rejection of the Pope's suggestions. It is plain now that, so far as this country is concerned, there can be on peace until Germany establishes a Government whose word can be trusted. That this is the position of all the Allied Powers hardly admits a doubt.

Clearly, then, business must proceed for some time under the stress of war conditions. Preparations to supply more men, greater quantities of food and war materials of all sorts, and to appropriate larger sums of money, go steadily forward. Russia's weakness will intensify the difficulties to be met during the coming winter and call for renewed military economic exertions on the part of this country.

Business men are already beginning to think less in terms of profit, and more in terms of military victory. Formerly, in engaging in an enterprise, they were accustomed to inquire, Will it be profitable? Now, they are asking, Will this help to win the war? As this tendency becomes general, the resources and energies of the United States will gradually come to count in the struggle.

The unyielding attitude expressed in President Wilson's note to Pope Benedict finds reflection in business and financial circles, where it is felt that a peace with the forces now dominant in Germany would offer no guarantee whatever of permanence.

Bankers and men of business are disposed to take a coldly practical view of the matter. They are somewhat in the position of a man living in a flimsy house who has seen his property destroyed and the lives of members of his family lost through his own disregard of proper precautions. While realizing that he can not bring back what has been lost, he can at least take measures to prevent like disasters.

Tremendous as is the cost of the war, business will bear the burden until the way is made clear for a lasting peace.

Interest attaches to the recent decision of a Federal judge in the North Carolina district, holding unconstitutional the child labor law. This decision rests upon the denial of the power of Congress to regulate internal conditions governing the employment of labor.

The ordinary police powers, under which would apparently come questions affecting health and morals, belong to the respective States and not to the Federal Government. But the laws relating to conditions of labor do not rest solely upon humanitarian grounds, but are largely economic. Goods manufactured in Massachusetts, for example, with a law against child labor, might find it difficult to compete in the general markets with goods from North Carolina, for illustration, with child labor permitted.

The same rule applies to the eight-hour day and to the bulk of the regulatory labor legislation.

This decision serves to call attention to the growing difficulty of adjusting business to a dual system of Government. In the earlier days, when trade between the States was limited, this matter attracted but little attention. But now that State lines have practically disappeared, from a commercial standpoint, it frequently causes serious difficulty. Heretofore the railways have been the chief sufferers. Now industrial concerns are experiencing the inconvenience of a multiplicity of laws.

It would be both sweeping and unjust to condemn the States where the standard of labor legislation does not yet conform to the highest modern ideals. Over so vast an extent of territory, conditions are not the same. Rules in regard to employment which might be reasonable in one locality would not suit some other locality where conditions were different.

Nevertheless, the tendency of feeling is constantly in the direction of improving the conditions under which the more exacting kinds of labor are performed, and public sentiment will hardly approve the overthrow of the child labor law by judicial interpretation.

THE NEXT LIBERTY LOAN.

Tentative arrangements have been made for the next Liberty Loan, and unless some change occurs in the present programme the subscription books for the loan will open October 1st and close November 1st. Both the rate of interest and the amount of the loan will not be definitely announced until legislation, now pending in Congress, shall have been enacted. Probably the issue will be around $3,000,000,000, and bear four per cent. Preliminary to the sale of the bonds, certificates of indebtedness will be sold, running perhaps for a year. War savings certificates in small denominations will be sold to the public, perhaps at a slight discount below the face value and redeemable at par after five years.

Unless there is some further change in the provision of War Revenue Bill relating to the tax rate on the bonds, it will be as follows:

"All such bonds and certificates shall be exempt, both as to principal and interest, from all taxation now or hereafter imposed by the United States, or any State, or any of the possessions of the United States, or by any local taxing authority, except (a) inheritance taxes; (b) graduated income taxes, commonly known as surtaxes, and excess profits or war profits taxes, now or hereafter imposed by the United States upon incomes and profits of individuals, partnerships, associations or corporations."

Some question has arisen as to the matter of advertising the next bond issue. The previous issue obtained an enormous amount of free publicity from newspapers and magazines and in a variety of ways. Not only was space freely given in the news and editorial columns, but many pages of advertising were also donated to the Government by the various publications and in some cases by individuals. In a recent statement the Secretary of the Treasury points out that while the Government appreciates the spirit that prompted this generous action, it was not asked or expected. He also calls attention to the fact, that the Government, in advertising, could hardly discriminate as do individuals between different publications, but must accord equal treatment to all.

Under the War Revenue law passed last April $7,000,000 was made available for expenses of floating $5,000,000,000 in bonds and $2,000,000,000 in short time certificates of indebtedness. It is reported that about half of this alread has been disbursed in connection with the flotatioı of the $2,000,000,000 Liberty Bonds first offered and the certificates of indebtedness put out in the advance of the loan.

Whether the Secretary of the Treasury finally decides in favor of the policy of paid advertising or not for the pending bond issue, it is certain that the periodicals of the country will not be slow in advising the public of its merits.

As a matter of fact, the high cost of paper and labor, and proposed heavy increase in postal rates, have not tended to put the publishing interests in a very cheerful frame of mind, but they will not allow any such considerations to divert them from helping to the utmost in any work essential to winning the war.

PRICE OF WHEAT FIXED.

On August 30th the basic price of the 1917 wheat crop was fixed by President Wilson at $2.20 a bushel at Chicago, which is equivalent to $2.25 or $2.30 at New York, and a reduction in the price of flour and of bread also is expected. Ordinarily the fixing of a price for a commodity could not compel anybody to sell at that price; but under present abnormal conditions the power is lodged in the hands of the Government not only to compel the owners of wheat to sell at the price named, but to continue production.

In announcing this action the President declared that it was his hope that it would at once stabilize and keep within moderate bounds the price of wheat throughout the present crop year, and in consequence the prices of flour and bread also. The price agreed on was the result of a unanimous recommendation by a committee representative of all interests and all sections.

Although wheat is of prime necessity during a great war and at other times, there are other grain and food products of various kinds which are scarcely less essential. At once the question arises, where is Governmental price-fixing to end? May it not ultimately become necessary to fix a price for all the necessities, and thus substitute Government dictum for the law of supply and demand? And if the prices of products be fixed, will it not become necessary also to fix the price of labor by the same authority? Must not the wage a man receives bear some definite proportion to a new and practically arbitrary scale of prices for commodities? The war has thrown the world's economic machinery out of joint, and its temporary readjustment will prove extremely difficult. In the case of wheat, could the farmer get a higher price than that fixed by the Government, it would enable him partially to recoup the higher outlay he must make for the goods he is compelled to buy. On the other hand, if the price of wheat had kept rising the workman whose wages did not rise in proportion might soon have found himself unable to buy bread.

That the Government is trying to safeguard the interests of all concerned, goes without saying.

LIMITATION OF GOLD EXPORTS.

For some time, notwithstanding an enormously favorable trade balance, gold has been flowing out of the United States, Japan and Spain being the chief importers of the metal. In the case of the former country, the movement was fairly attributable to the fact that this country was indebted to Japan on the current trading account, but this was not true in the case of Spain. Doubtless the depreciation of sterling exchange in the markets of neutral countries had much to do with the gold exports from this country.

An export movement of gold from the United States at the present time is not viewed with satisfaction by financial authorities in either this country or the United Kingdom. The enormous amount of foreign financing to be done here renders a large gold supply almost a necessity, while in the case of Great Britain the conservation of our gold stock also tends to make it easier for that country to borrow in this market.

Under our monetary system there is no practical means of preventing gold exports. There are several forms of currency directly redeemable in gold, and as a matter of fact every kind must be so redeemed if required. So anybody who wants gold can get it, and there was not until recently anything to prevent the holder of the gold from sending it out of the country, though high insurance rates have tended to impede gold shipments of late.

But on August 27th gold was added to the list of commodities requiring licenses for export.

While this action will prevent the loss of gold, and obviate the objections above mentioned, it will tend very likely still further to depress the value of American money in those countries where it is already at a discount.

So far as Japan is concerned, that country being one of the Allied Powers and having a special mission now visiting here, may be expected to act in this matter in harmony with Great Britain and the United States.

If comedy could be evoked out of so grim a business as war, the saucy attitude of the Spanish peseta toward the American dollar and the British pound sterling would assuredly offer a present theme for it.

GENERAL CONDITIONS.

We are entering upon the first of the autumn months with conditions but little changed from what they have been for some time past. An important development of the week just closed was the issuance on August 27th of a proclamation by the President forbidding exports except under Federal license. This does not imply that exports are to be prohibited, but rather that they will be controlled. We shall reserve our products for our own use and for our allies, while neutral nations may have what is left, provided they can satisfy the American authorities that what they receive will not be re-exported to enemy countries.

Prices are not rising as formerly, and the number of commodities either remaining stationary or declining large some hope that we may be approaching the maximum.

Cotton will probably yield 12,499,000 bales, indicating an improvement in August of 550,000 bales over earlier reports. Crop prospects generally are excellent.

Transactions in stocks on the New York Stock Exchange for the month of August aggregated 11,505,464 shares, a decrease of 1,622,281 shares as compared with the previous month, and of 3,097,787 shares as compared with the corresponding month last year.

If business shows some tendency to decline, it is perhaps chargeable to the immense changes that have been taking place, which must of necessity occasion considerable uncertainty.

Bank clearings for the current week have been above those of last week, though considerably below the figures of a fortnight ago.

Business failures for the current week were below the number reported last week, and for the corresponding week of last year.

Governments and war operations are bidding so insistently for capital that the market for bonds continues unsatisfactory.

In New York the stock market has shown considerable depression, munitions securities leading in the decline, and the other stocks falling in sympathy. Heavy excess profits taxes and the fixing of prices have both tended to reduce purely speculative prices more nearly to the level of actual values.