

# Banking and Business Affairs in the U. S.

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(Special Correspondence of The Journal of Commerce).

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While the British Mission recently visiting this country was concerned chiefly with military and diplomatic problems, it is the general opinion here that in consequence of the closer drawing together of the two countries on these matters the trade of Great Britain and the United States, and possibly of the world, will be profoundly affected. Closer financial relations between the United Kingdom and the United States have been established already, and are likely to be maintained long after the war ends if not permanently.

Should the post-bellum policy of the Paris Economic Conference be carried out, this country will not now be discriminated against as might have been the case had it remained in the ranks of neutral nations.

This, however, is the purely negative side of the matter. The union of the two great countries in military and financial affairs, to the extent which has taken place already, probably presages close co-operation in economic policies capable of being worked out to mutual advantage. With Great Britain, the United States, France, Russia, Italy, and Japan united on war policies, the hope naturally arises that these nations may seek to find the basis of a common understanding with respect to future international trade developments that will powerfully tend to shaping the commerce of the future and may even make for more peace. If these nations shall find that their interests have been conserved in time of war by joining together for the common defense, they may conclude that what served in time of war is applicable to an era of peace.

## GOLD GOING TO JAPAN.

Some concern has been occasioned recently by exports of gold to Japan which have aggregated more than \$35,000,000 since the beginning of the year. Although the United States gained an enormous amount of gold on international movement as a result of the war trade, and even to an extent that was considered dangerous by bankers and economists here, the financial situation of late has undergone such changes as to cause a revision of these earlier views.

The country has, for the time being, found itself called on to act largely as the world's banker, besides having to provide an enormous amount of funds to conduct war on its own account. The fear of having an excess of gold has not only disappeared, but there is a feeling that if we are efficiently to exercise these very heavy financial duties, the present stock of gold must be preserved against serious depletion. This is not only for our own interest but it is of importance to our Allies that the American gold supply be kept as nearly intact as possible so that loans may be made at a moderate rate.

It is at least an open question whether the present banking mechanism of the country has adequate powers for coping with an adverse gold movement; but no doubt exists, under existing circumstances, of the power of the Government to put into effect measures for protecting the country's gold stock should such action appear desirable.

## CONSTRUCTION OF STEEL SHIPS.

It would appear that the enthusiasm for an immense fleet of merchant ships, constructed with magical celerity for carrying food over seas, and thus circumventing the submarines, has somewhat cooled. The ships will be built, and as rapidly, too, as they can be turned out by the vast industrial plants of the country, but they will not be of wood but of steel and useful not only during the war but will constitute a part of the world's great mercantile fleet after the war is over. Steel interests of large constructive capacity have pledged their support to the programme and it may be expected that substantial relief to the shortage in marine tonnage will be afforded with reasonable speed.

To construct large numbers of wooden ships would have required the creation of plants and evolution of large forces of workmen trained in construction of this sort. On the other hand, the steel plants already exist with the labor required to build the ships with the least possible delay.

The turning of the steel plants so largely over to the shipbuilding industry will doubtless tend to reduce activities in some other directions. General construction has already slackened to some extent, due in part to high cost of materials and labor. Obviously, the industries of the country will have to devote themselves increasingly to those things needed to carry on the war effectually.

The wooden ship programme had in it much of the spectacular calculated to captivate the popular fancy, but gradually the people here are learning what the other belligerents know, that the processes of war are slow as well as serious.

Business in the great steel plants is very much congested, and the entrances of these concerns into the work of ship building on a large scale will still further tax their facilities.

## THE LIBERTY LOAN CAMPAIGN.

Never before has any security been advertised in this country to the same extent as the new Liberty Loan. It will prove a most instructive example of the power of publicity as applied to the sale of investments.

Perhaps this is a subject to which bankers have not yet given the attention it deserves. If they had done so, no such extensive advertising as the Liberty Loan has received would have been necessary; the mere announcement of the loan and its terms would have been enough. Of course, much of the advertising which this loan has received was donated and many bankers and advertising experts have freely given their services in making the attractiveness of the issue known to the people. Then patriotism has been invoked as an inducement to buyers. One might think, indeed, that the ringing appeals made to buy a Liberty Bond as a patriotic duty indicated a fear that the bonds would not be fully subscribed. No such fear exists. But not only must the present \$2,000,000,000 issue be taken, but other and perhaps much larger sales must be made in the near future, and it is well that the educational work necessary for their sale to the people be done in advance.

Bankers might well study with some care the results of this whirlwind campaign of publicity. If so large an amount of securities can be sold in a short time to people many of whom were unaccustomed to buying investments, what might not be done by a steady policy of investment advertising intelligently carried out.

This is a most practical question, especially for us here in the United States, for we shall have to do things financially in the near future of which we have done very little heretofore. We must buy foreign Government bonds and foreign securities of various kinds, and shall also have to finance our own enterprises without European assistance. To do this the great body of the people will have to be trained in the principles of wise investing, for the banks can not absorb securities without limit.

The Liberty Loan campaign promises important developments in this direction that will be of benefit in teaching Americans the art of wise investing.

## FOOD COMBINATIONS ATTACKED.

Suits have been instituted by the Government against certain persons and associations who are alleged to be in conspiracies to monopolize the trade in food products in some lines. It is asserted that by paying low prices to the producers when the crops were ready for market, and by holding the products in storage for several months, until sold to consumers, a very high profit has been made.

Much hysterical talk has been indulged in as to the extraordinary degree of punishment which should be meted out to the speculators who manipulate the price of food, and there has been a flood of legislation on the subject with no end of commissions to make investigation and report. As yet very little has actually been accomplished, however. It appears likely that the extraordinary powers over food production and sale which the government may exercise during the war will result in measures putting some control on the activities of the food speculators.

That this has not been done before is incomprehensible. If the farmers as a body profited by the price boosting process, this might explain the delay in putting an end to it, for the farmer is all-powerful politically. But the farmer appears to benefit but little if at all. Certainly the consumer—especially the industrial wage-workers who produces no food himself—is mulcted by it. A few speculators get most of the profit. That they have been able to keep up their game so long probably affords another illustration of the difficulties experienced in a democracy of curbing admitted evils. There are so many explanations given of the high prices of food, so many remedies offered and upon the whole the "high cost of living" affords such a pleasing subject of discussion and of experimental remedial legislation, that the prompt action which would put an end to it summarily, so

far as speculation is responsible, has remained neglected. But the action of the Government in beginning the prosecution of those who are alleged to have "cornered" certain kinds of food indicates the inauguration of a policy that bodes no good to the food gamblers.

There is a growing realization of the fact that unless prices are kept down or wages very materially advanced, serious and widespread strikes may be threatened. Undoubtedly, from patriotic motives, the great body of American workmen will under present circumstances not resort to strikes if they can possibly be avoided. But hunger is a compelling argument, and one to be avoided.

The activity of the Government in seeking to check food speculation comes opportunely and will be welcomed.

## FINANCIAL STRENGTH OF THE UNITED STATES.

From a recent statement of the Comptroller of the Currency, urging the purchase of Liberty Bonds as a patriotic duty, the following facts are taken regarding the financial strength of the United States.

Reports from all national banks as of May 1, 1917, just compiled, show that the total resources of these banks at this time exceed sixteen billion dollars (\$16,000,000,000), and are one hundred and sixty million dollars more than the greatest resources ever heretofore held. In the country banks as well as in the banks in the reserve cities, resources have broken all previous records. The increase over March 5, in resources in reserve and central reserve cities, exceeds ninety million dollars, while country banks are seventy million dollars ahead of all previous figures.

Since July, 1914, the resources of our national and state banking organizations have increased by the enormous sum of eight billion dollars (\$8,000,000,000). This increase alone exceeds the total deposit of all the banks, large and small, in Great Britain and Ireland, including several banks whose total resources are greater than those of any individual bank in this country, and also including all deposits in the Bank of England.

Financially this nation is fully prepared to meet successfully any and every demand which duty, honor and the fullest protection to the lives and property of its citizens can impose. It is ready and able to vindicate before the world the principles of democracy.

No nation ever before possessed the immense financial strength and power which are ours to-day. We have become the greatest reservoir of world credit.

Figures indicate that the production of wealth in the United States for the past two years have been at the rate of more than forty billion dollars per annum. Since the outbreak of the war in Europe, two years and ten months ago, students of the situation tell us that this country has created about one hundred billion dollars of new wealth and that the surplus earnings of the American people, over and beyond their living expenses for this period, have exceeded twenty billion dollars (\$20,000,000,000).

Much of this accumulated wealth, produced by over forty million intelligent workers, has been reinvested in mills and factories, in the enlargement and expansion of business enterprises of all kinds, and in loans to foreign countries, while our deposits in banks have increased billions.

It is believed that the investible earnings, or profits, of the citizens of the United States are now increasing at the rate of two billion dollars every three months, so that if all our people should invest in the Liberty Bonds their entire net increment, or excess of income over actual living expenses, for a three months' period and avoid other investments, this alone would practically absorb the entire issue of bonds now being offered.

Our Government has recently placed about seven hundred million dollars (\$700,000,000) of Treasury notes at from 2 to 3½ per cent interest, and these have been taken and paid for without creating a ripple in the money market.

This Government placed during the Civil War three billion dollars of bonds. That amounted to nearly twice as much as the total resources of all the banks in the country at that time, and was more than one-tenth of the estimated wealth of the country then. Our national wealth is to-day about ten times what it was in 1865, and bank resources are more than twenty times as great.

## THE OUTLOOK.

Prospects all around are brighter than for a week or two past. The crop outlook is decidedly better and it may turn out that the production of spring wheat will be so good as materially to reduce the gloomy earlier forecasts of the output of wheat dur-

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