

Banking and Business Affairs in the U. S.

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During the week just closed, the financial situation has been affected to a marked extent by military events in Europe. Stocks have suffered a serious decline, and there has existed more uncertainty than perhaps at any time since the first onslaught on Paris. If one should attempt to analyze this feeling it would be found of a wholly superficial nature. Nobody of the slightest responsibility for his views would for a moment admit that there is the remotest possibility that Germany will win the war. Nevertheless there is a decided sentiment of discouragement over the imminent break-down of Russia. It means a prolongation of the costly struggle, more millions of money, many more lives, and a multiplication of the horrors which have filled the world for over three years.

But so far as this country is concerned, the threatened collapse of Russia is by no means an unmixed evil, for it will spur our people to greater exertions than they have yet made or deemed necessary. If these greater efforts are put forth, and should Russia finally come back into the fight with the power originally displayed, a speedy finish to the vandal hordes might be expected. But should Russia disappear from the contest altogether, the place left vacant in the Allied ranks will be filled by a never-ending stream of American troops moving across the sea and taking their station beside the legions of France and the British Empire.

If there are any persons who doubt the wholehearted participation of this country in the war, their doubts would be removed could they see and know the tremendous preparations that are being made. The purpose to stay in the fight until our ends are gained, so aptly phrased by the President, represents the universal determination of the people.

And so business had no real grounds for the recent nervous chill it experienced, and no surprise need be felt should there be a swift rebound from the comparative depression which has prevailed throughout the past week. Unfortunately, though, the disquieting elements in the European military situation have been accompanied by local influences tending to unsettle confidence. The control which the Government finds it essential to exercise over business has completely upset some of the expectations of large profits in certain lines, with a consequent decline in the values of the securities of such corporations.

Thus far, however, we have gone through all these experiences with nothing approaching panic, and the most competent judges do not look for anything of the sort.

FOREIGN TRADE IN JULY.

Imports of merchandise for July, 1917, were valued at \$226,000,000, a decrease of \$81,000,000 compared with June, the high record month, but a gain of \$43,000,000 over July, 1916. The imports for seven months ending July, 1917, were \$1,779,000,000, against \$1,469,000,000 in 1916. Free imports in July 1917, were \$158,000,000, and dutiable imports \$68,000,000. For the seven months ending July, 1917, the free imports were \$1,259,000,000, and the dutiable were \$520,000,000. Merchandise entered free of duty in July amounted to 70 per cent. of the total, and in the seven months to 71 per cent. For 12 months ending July, 1917, the imports amounted to \$2,703,000,000, against \$1,915,000,000, in 1914.

Exports of merchandise in July, 1917, reached the lowest record since February, 1916. For the month of July the exports of merchandise amounted to \$374,000,000, against \$575,000,000 in June, 1917, and \$445,000,000 in July, 1916. For seven months ending July, 1917, exports amounted to \$3,664,000,000 against \$1,201,000,000 in 1914. The total exports for the 12 months ending July 1917 were valued at \$6,221,000,000, the high record for any 12 month period, against \$2,358,000,000 in 1914, the twelve months preceding the breaking out of the war.

Imports of gold in July, 1917, were \$27,000,000, and \$505,000,000 in the seven months ending July, 1917. Exports of gold in July were \$69,000,000 and \$272,000,000 in the seven months ending July, 1917. Imports of gold were \$942,000,000, and exports \$352,000,000 in the 12 months ending July, 1917, an excess of \$590,000,000 in imports.

Until the figures in detail are available, it will not be possible to account with accuracy for the decline in exports. The embargo policy hardly offers an explanation, for that has not been in effect long enough, although prior to the beginning of its operation there was a tendency to restrict exports to neutral countries where there was danger of re-exportation to enemy countries. Submarine activities may

be responsible for a part of the loss in exports. The demand for war supplies at home has undoubtedly somewhat lessened our ability to meet similar demands from the Allies. Whatever may prove the true reason for the decline in the export trade, no one expected that the abnormal record so long maintained could continue indefinitely.

It will be seen that in July we exported more gold than was imported, though for the year there is still a heavy import balance.

THE BREAK IN STOCKS.

Many explanations have been put forward for the serious break in the stock market which the week has witnessed. Some attribute it to the bad news from Russia; others to rumors that the Government intended to stop marginal trading; while revenue legislation, price-fixing, war financing and peace talk all were selected as causing the flurry. Whichever of these explanations may be the true one, the fact remains that standard shares experienced a sharp and sudden fall, a new low record being reached in some cases, and the break as a whole recalling the slump of 1907.

Although some subsequent recovery has taken place, the end of the week still finds the market badly demoralized.

In one respect the present situation occasions far less concern than in 1907. Reference is made to the fact that our banking system no longer rests at its centre on the stock market to anything like the extent it did in 1907. The shrinkage in stock values, while still a serious matter to individual banks, is less far-reaching in its effects than was formerly the case.

The creation of a discount market, the use of trade and bank acceptances, and other reforms initiated by the Federal Reserve Act, have all tended to reduce the influence on the money market and the general banking situation heretofore caused by a marked fall in stocks. If these changes have gone far enough in their effects in the limited time the new law has been in operation, we should be able to get through the present situation without a bank panic, which often, in days gone by, has followed close upon the heels of similar periods.

To counteract the unfavorable rumors which have been mentioned above, attention may profitably be directed to the September crop report, which is of a decidedly favorable character. The report, as compiled by statements from the Government's agents, estimates this season's corn crop at 3,248,000,000 bushels, compared with an estimate of 3,199,000,000 bushels on August 1, 3,124,000,000 estimated on July 1, and 2,583,000,000 bushels, the actual harvest last year.

The country's wheat crop was estimated at 668,000,000 bushels, compared with an estimate of 653,000,000 bushels on August 1, 678,000,000 bushels on July 1, and 640,000,000 bushels, the actual harvest last year.

Many of the influences which have recently tended to depress stocks were of a purely imaginary nature, but here are facts of the most solid character warranting the belief in continued prosperity.

GOVERNMENT SUPPORT FOR GOOD ROADS.

Apportionment of \$14,550,000 to the States from Government funds to aid in the construction and maintenance of rural post roads in accordance with the Federal Aid Roads law, was recently announced by Secretary Houston, of the Department of Agriculture, for the year ending June 30, 1919. The law calls for apportionment of \$20,000,000 for 1920, and \$25,000,000 for 1921.

The present is the third apportionment under the law, \$4,850,000 having been apportioned for 1917, and \$9,700,000 for 1918.

Not long ago these sums would have seemed large, but they are trivial when compared with the new war bond and certificate bill which has just passed the House of Representatives, providing for the stupendous sum of \$11,538,945,460. It is difficult to avoid thinking what vast economic benefits would have been conferred on mankind could a sum like this (which of course constitutes but a small fraction of the war's total outlay) have been applied to road construction and other means of bettering the conditions of living. It is realized fully that the results of the war may be of incalculable permanent benefit to mankind—greater, indeed, than could have been derived from any other source. That gain which we are all hoping for is the destruction of war itself.

The possibility of raising such vast sums for war may teach us that it is likewise practicable, when the war ends, to raise very much more than we heretofore thought possible for constructive purposes. There have been bodies of men in every community

who have indignantly protested against even modest expenditures for better roads, bridges, schools and public improvements of every character. But we now see that could humanity once and for all relieve itself of the terrible cost of war, we could well afford to spend almost illimitable sums to make the earth a better habitation for mankind. The expenditures for war are destructive, and in large part they are permanently swallowed up, while expenditures for constructive purposes tend towards repayment of the original outlay.

The more these facts are studied and understood, the more determined will those be who are now fighting in the cause of freedom and democracy to see that the war snake is killed and not merely scotched.

Teachers of thrift have inveighed against the automobile as a provocative of extravagance. They now set down as one of its economic benefits a better system of public highways—something of incalculable value to farmers and tradesmen.

EMBARGO ON GOLD EXPORTS.

The action of President Wilson in placing an embargo on the exportation of gold coin and bullion or currency of any kind, except by permission of the Federal Reserve Board, confirms the view expressed last week that such action might become necessary. It is quite as essential to preserve our gold stock as it is to prevent undue exportation of food and other necessary commodities, for should gold go out to an extent that would threaten a break-down in American credit, very serious results might ensue affecting not only this country, but all the Allied Powers. By placing a check on gold exports this contingency is avoided, and the possibility of our gold indirectly getting into Germany is also greatly reduced.

The free international movement of gold constitutes in normal times one of the prime requisites of financial supremacy, and under ordinary circumstances the arbitrary stoppage of gold exports would be regarded by bankers as against the public interest. But conditions are not normal at present, and undoubtedly the Government's action in this respect is wise and for the good of all concerned.

There are no recent precedents for this action. In the second Administration of President Cleveland, when gold was running out of the country at an alarming rate, no impediment was placed against the exportation of the metal. The country was at peace then, and was able to stand a drain of gold which now would cause serious difficulties.

Some countries are finding it necessary to adopt measures for preventing the export of their silver currency. The remarkable advance in the value of bar silver has made the Mexican dollar and the Philippine peso undervalued in the coinage, and has caused these coins to be exported as bullion. For the present the American silver dollar, which for some years has been largely overvalued in the coinage, is safe from being exported as bullion.

It should be understood, of course, that the President has not placed an embargo upon the exportation of gold, but has merely brought such exportation within the discretion of the Federal Reserve Board. It may be expected that the matter will have the careful attention of this body, and only such limitations placed on the gold movement as seem necessary.

Prior to this action the New York banks had declined participating in gold shipments; but since anyone could procure gold at the Sub-Treasury, there was nothing to prevent shipment of the metal abroad. Since the Federal Reserve Board represents the Government in banking affairs the whole matter is now taken out of the hands of individual banks, and taken under Government jurisdiction.

ATTENTION CENTERING ON WAR INDUSTRIES.

The ordinary activities of business are gradually giving precedence to war industries in point of public interest, and this tendency promises to grow from this time forward. A recent compilation shows that during the month of August there were organized companies with an aggregate capital of \$36,400,000 for the purpose of manufacturing munitions and airplanes. The same compilation indicates that for the thirty-two months ended with August the capitalization of companies of this kind aggregated \$203,225,000. These figures do not include the large number of other industries directly or indirectly engaged in making materials for war, nor the Governmental operations along similar lines. How immense the latter are may be seen from a single instance. The Shipping Board, which already has at its command some \$800,000,000, has asked for an additional sum of \$915,000,000 for constructing and commandeering ships and for procuring necessary supplies.

A national industrial equipment, wonderful in its resourcefulness, has gradually turned from the peaceful activities of trade to the business of making a nation ready for war, with results which must soon

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