

## Banking and Business Affairs in the U.S.

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(Special Correspondence of The Journal of Commerce.)

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For the time being the ordinary affairs of business have become a topic of secondary interest on account of the tension of the international situation. Germany's challenge to America's right to navigate the seas has been met by a full delegation of authority from Congress to the President to protect that right, and at any moment the euphemism of "armed neutrality" which has been employed to soften in the public mind the meaning of the latest step on the part of the Government may give way to the harsher yet more exact term of "war." As events are moving with swiftness and with seeming sureness toward this culmination, it may be reached even before these words are printed. From the outset of the great conflict on the other side, no careful observer of American public opinion could ever have doubted where our final alignment would be. The course of Germany in Belgium, in the matter of the Lusitania outrage, and in numberless instances of ruthless savagery, has violated every principle and every ideal which Americans hold dear. Finally, the bold attempt of Germany to inhibit our peaceful navigation of the seas furnished the culminating outrage which even a patient and good-natured people could no longer brook.

### Business as Usual.

This will undoubtedly be the policy following whatever military or naval activity may result from the present turn of affairs. There need be no unusual excitement in business circles, and probably will be none. Actually the situation will improve, for the practical embargo on shipping which has existed since the beginning of February will be lifted, and American ships will move across the seas either armed or conveyed by protecting cruisers. The stock market, accustomed to discounting events of magnitude, has probably already gone through whatever shivers the war situation may have engendered. As the large naval outlay and the expenditures necessary to forward other means of preparation will for some time furnish a renewed impulse to business, the outlook is for continued activity. It is realized, of course, that when the war demand ceases a fresh outlet for many products and energies must be sought. But the prospect of anything like stagnation appears far distant. China is awakening and will gradually call for larger and longer amounts of foreign goods and capital. Industries in Russia, France and Belgium—to mention no other countries—will be sadly in need of the restorative influences of fresh supplies of capital, so that the work to be done in the near future would seem to be abundant enough to keep capital and labor fully employed.

### Food Hysteria Subsides.

When in the first weeks following the recent renewal of unrestricted submarine activity on the part of Germany, food supplies became slightly diminished in several of the large cities, there were excited gatherings of people and so-called "food riots." These hysterical movements have subsided, and with the extra efforts made by the railways to move perishable goods, such scarcity as existed was largely corrected. In last week's article it was pointed out that the food excitement was both ridiculous and contemptible so far as it arose from any belief that a real scarcity of supplies existed in the country. Inconvenience and some suffering were caused from lack of means to distribute the food and from the high prices which have made it difficult for persons of moderate incomes to procure the necessities of life. But the high prices in the case of a few commodities and the lessened supply of a limited number of them, are very different things from a real and serious food shortage. If at any time there should be a general shortage of food crops in this country, it would not be for lack of abundant fertile lands, producing everything, including nearly all the fruits of the tropics, but because the people were indisposed to perform the manual labor which the cultivation and gathering of these crops require. People who are beguiled into the cities by the elegance and leisure which the great centres of population afford should not complain of the price they pay for this exemption from the labor which agriculture entails. Their appeal for sympathy lacks the sincerity that would bring conviction.

### New National Banks.

In February, 1917, the Comptroller of the Currency received thirty-three applications for charters for new national banks, with capital of \$1,725,000, as compared with fifteen applications in February, 1916,

with capital of \$525,000. This February fourteen charters were granted, with aggregate capital of \$725,000, as compared with nine charters granted last February, with \$430,000 capital. In February, 1917, twenty-five National banks increased their capital by \$2,970,000, against seven banks increasing their capital by \$950,000 in February, 1916. Four banks reduced their capital in February, 1917, \$205,000. The same month last year two banks reduced capital \$55,000. Four National banks went into voluntary liquidation (exclusive of those consolidating with other National banks) in February, 1917, with capital of \$532,500, as compared with six banks liquidating (except for consolidation with other National banks), with a capital of \$653,000, the same month last year. There were no receiverships among National banks in February, 1917.

Some doubts have existed regarding the increase of the National banks under the Federal Reserve System, but it appears from the foregoing figures that the number of National banks is still increasing. Of course, the general growth of business would call for some addition to the number of banks, and of these a certain percentage would be organized under the National system. It does not yet appear that the Federal Reserve System has seriously restricted the organization of National banks, and the desertions from the National system which many have been expecting do not seem to have taken place. The fact is that bank organization under Federal charter still presents some advantages which banking capital is slow to relinquish. On the other hand, the attractions of the Federal Reserve System have not been sufficient to attract into it many of the State banks.

### Bank Clearings.

Exchanges of the banks for the week ended March 3rd were \$5,554,493,634 compared with \$4,509,390,423 the preceding week and \$4,825,876,498 the corresponding week a year ago. These figures do not sustain the view, indicated by previous figures, that there has been a recession of business throughout the country. Business is still active, although there was undoubtedly a slight lull due to the tying up of ocean commerce, but this influence seems to have disappeared, and so far as may be judged from the bank exchanges, there is no recession in sight in the near future. Another indication that is favorable is the lessened number of business failures, February's figures being lower than for any month since September, 1916. Indeed, the commercial failures last month were the smallest in point of number since 1910. The fact is clear that business is exceedingly good, nor is there any present indication that it is likely to be otherwise for some time to come. In commercial and banking circles there is a feeling of absolute confidence, and until this gives way to doubt, enterprise and trade may be expected to continue unchecked.

### Growth of Taxation.

With the growing expenditures for military and naval purposes, an increase of taxation was bound to occur. Even before the increase in expenditures for these purposes was decided on the outlay for ordinary purposes had advanced to more than usual proportions. Taxes have been laid not alone for the purpose of producing additional revenues but with the object of checking the accumulation of large fortunes. That this tendency is likely to increase and to become a permanent feature of the fiscal policy of the Federal Government and of the various States seems highly probable. There is a feeling in this country that wealth tends toward concentration in comparatively few hands, and taxation is relied on as a corrective of this tendency. The feeling in this regard has been accentuated by the large profits which a few favored concerns have made out of the trade in war munitions, and it may be expected that in the near future the taxation policy of the country will be shaped with a view toward taking a large part of these profits for the public use by imposing super taxes upon such profits. Nor will the normal business activities wholly escape from punitive taxation, since there is a growing tendency to regard all forms of business—farming alone excepted—as legitimate sources of productive governmental revenues.

### Closer Financial Relations With Europe.

Following the announcement made sometime ago that the Bank of England had been designated as an agent of the Federal Bank of New York comes the news of a similar arrangement with the Bank of France. Especial significance is given these

arrangements by recent international political developments. No doubt both France and England, as well as the United States, will derive substantial advantages from these arrangements. They mean that the already close financial relations existing between the parties concerned are to be enlarged and strengthened. It is realized here, and no doubt in Europe as well, that the assistance which the United States will be able to render the Entente Allies will be financial rather than military. This assistance has already been freely rendered, but under the changed conditions it will be immensely augmented and will be carried on openly instead of somewhat covertly, as heretofore. Opinion on the other side of the Atlantic has held that the decision in the great conflict may be brought about by the final millions of money thrown into the scale. If this view is correct, there can hardly be a doubt as to the importance of the open enlistment of the United States in behalf of the Allies.

### Distribution of Investment Securities.

As the country becomes more and more an absorber of investment securities, the necessity becomes apparent of some better means than have heretofore existed of distributing investments among the masses of the people. "Popular loans" have already been tried and with considerable success, but probably for some time yet the bulk of foreign and domestic loans will be floated in the first instance by the banks. The reason for this is obvious. It insures the prompt placing of loans, something that is always highly desirable but which can not always be relied on with certainty where loans are offered solely through popular channels. This, however, does not imply that the masses of the people can not be of the greatest service as ultimate buyers of the many securities now pressing upon the market. On the contrary, it is obvious that these securities can not be perpetually absorbed by the banks, unless the latter can in time pass them on to their depositors, constituting the great body of the investing public. Much remains to be done in an educational way before the people of the United States can be brought to a realization of the benefits accruing to the country at large and to them as individuals by becoming purchasers of foreign securities. There has been already a concerted movement on behalf of thrift, and many of the leading bond houses are, through printed literature and other channels, informing the public of such advantages. As this movement spreads, and the people of this country become thoroughly informed of such benefits, the investing power of the American people will be seen to be very great, and capable of absorbing an almost indefinite volume of Canadian and European securities.

### UNITED FARMERS OF ONTARIO MEET.

The United Farmers' of Ontario met in their three-day annual convention at Toronto last week, with more than 150 delegates in attendance. In his presidential address, Mr. R. H. Halbert, of Melancthon, emphasized the necessity of co-operation among farmers, that they might in future get a "square deal" and play their part in reconstruction after the war. They must grapple with the agricultural question on a social and economic basis and eliminate the waste in marketing, which is one of the largest factors in the cost of living. He reported a membership of 200 organizations in forty-three counties, representing 8,000 members.

A resolution that the province be divided into nine districts, according to the layout of railway facilities, each with a district representative, was unanimously carried.

The financial statement showed revenue of \$2,243.93 and expenditure of \$1,385.04.

The amendment to the Companies Act extending its scope to embrace farmers' co-operative societies, came in for some warm criticism, and a committee was appointed to consider the details and report tomorrow.

### CANADIAN FLAX-GROWERS IN CONVENTION.

The first convention of the Canadian Flax Growers, which opened in London, Ont., last week, was described by one of the members as an epoch making occasion. Three addresses were delivered at the afternoon session on the first day, the speakers being Dr. H. E. Howe, of Montreal and Boston. Dr. Howe spoke of the value of the seed flax straw, which is wasted in large quantities in Western Canada, and which would have a value of \$3 per ton could it be collected for making fibre suitable for the manufacture of the higher grade papers.