

# Banking and Business Affairs in the U. S.

By ELMER H. YOUNGMAN, Editor Bankers' Magazine, New York.

## INTERNATIONAL LOANS.

NEW YORK, August 25th, 1917.

Foreign financing, actual or proposed, has occupied the attention of the Government and the banks for some days past.

Messrs. J. P. Morgan & Co. recently announced the sale of \$15,000,000 of ninety-day British Treasury bills on a 5½ per cent basis. This is part of a total of \$150,000,000 to be placed by the firm named from time to time, not at a fixed rate of interest, but at such rate as the market may warrant when each issue is made. The bills are the direct obligations of the United Kingdom and are payable in dollars in New York.

An advance of some \$20,000,000 to Greece is also in prospect, the funds to be used in aid of the participation of that country in the war.

The Government, on August 24th, made a further loan of \$100,000,000 to Russia, bringing the total advances to that country since the war began up to \$275,000,000.

Proposals for a loan to Mexico are awaiting action, with the ultimate course of the bankers and Government of the United States in respect to the matter remaining to be determined.

Importance attaches to the new Russian loan as being evidence of the confidence maintained in the Government and people of that country by the United States, notwithstanding the recent disquieting rumors. Announcement of this confidence was made by the American Secretary of State in a communication to the Russian Ambassador at Washington within the last few days.

It is not without significance that unfavorable news from Russia no longer excites our markets. Whether this comparative indifference relating to a matter of such great importance arises from a settled belief in the ability of the Russian ship of State to right itself, or is due to the fact that this feature of the situation has been "discounted" already, it would be impossible to determine.

## THE BANKING POSITION.

As bearing on the banking position, and also an important manufacturing industry, the statement given below is of interest. It is derived from an annual crop and business summary issued by the Continental and Commercial National Bank of Chicago, and possesses the special value of being based upon reports received from the bank's large number of correspondents, chiefly located in the great agricultural section of the country. The statement, which was made available for publication on August 27th, follows:

"The banking position in this country, all things considered, is remarkably strong and the credit situation apparently is equally sound. Banks through the lean years that recently were experienced when money rates were excessively low have been managed with a conservatism that is remarkable. The tremendous increase in our gold holding, now reaching between 35 and 40 per cent of the world's stock, and its mobilization in the Federal Reserve has given the country a reserve power for circulation expansion of more than \$1,500,000,000, should it be needed. This in itself is an assurance to business men that banks with good commercial assets have adequate facilities for rediscount to meet almost any requirements without disturbing business.

"Loans at the banks aggregate more than ever before, but this is explained by the industrial activity, the borrowings by government contractors, who will not receive returns on their output until deliveries are made and to the government financing. Money is decidedly firmer than last year and this affords a better profit with smaller hazards and makes for a healthier banking situation. There are indications of a continuation of a firm money market through the fall.

"From all industries, with here and there exception due to local conditions, business men and banks report collections very good. In the implement business especially is this true. From the farm implement industry comes information that indicates a disposition on the part of the farmer to take advantage of the tremendous returns that he has received on his products by

paying a greater percentage of the purchase price for his implements in cash. This has strengthened the position of the implement makers. Several of these manufacturers have reported that the cash payments aggregate nearly one-half of their sales whereas in previous years the cash receipts ran from about 20 to 25 per cent of the sales. As the farmer is a considerable element in the buying power of the country this development is exceedingly encouraging, especially in view of the attitude of the government in stimulating agricultural production through the establishment of a minimum price that affords a wide margin of profit to the producer."

## FIXING OF COAL PRICES.

We are to have the prices of both anthracite and bituminous coal fixed by the Government of the United States from now on, and the complaint of the coal operators, that the prices which have been named are too low to insure production, has called forth the counter statement that if necessary to maintain production the Government will seize the mines and compel their operation.

This policy perhaps marks the beginning of a plan whereby the great productive industries of the country will be gradually brought under partial or complete Governmental control and direction. Those who thought that the people of the country would submit to exorbitant prices, or that the necessity for war materials would be subordinated to any demands whatsoever, are awakening to the fact that the Government of the United States has in solemn earnest entered upon the undertaking of helping to finish up the European War, and that in carrying out this purpose all private interests must give way.

The assumption that a profit must be shown in order to induce production gives way to the higher law that above profit lies the question of the nation's continued independent existence. Personal comfort and convenience, and the making of profits, will for the time being have to wait upon the decision of this vastly more momentous question.

Should the great captains of industry find any lack of incentive to produce at the price which the Government, after careful analysis and investigation in each particular case, considers fair, the steps essential to production will be promptly taken, even if it involves the complete substitution of the Government as temporary proprietor and operator of all the industries in the country, including the railroads. No one expects at the present moment that any such drastic proceedings will become necessary, but it is well, both at home and abroad, to realize that there will be no temporizing with the situation should vigorous action become necessary.

Already the young men of the country have been conscripted into the nation's service. Capital and labor need have no doubts whatever that as and when necessary they will be treated in the same peremptory fashion.

## GETTING GOLD INTO THE FEDERAL RESERVE BANKS.

Whatever opinion may have been held as to the propriety of reducing the legal reserves of the National banks, and permitting these institutions to keep all their required reserves on deposit with the Federal Reserve Banks, it has now become apparent that the practical result of this policy, for the time being, is to concentrate the country's gold stock more largely in the hands of the Federal Reserve Banks.

Recently the Federal Reserve Banks of New York sent out requests to member and non-member banks to send in their gold coin and gold certificates to the Federal Reserve Bank, in order to strengthen the position of that institution. The result of this request is said to have been very gratifying.

There is supposed to be still in general circulation, outside the Treasury and the banks, a sum in gold estimated at about \$500,000,000, and the banks have been asked, as this money is turned in, to transfer it to the Federal Reserve Bank, the latter either exchanging its notes therefor or giving the remitting bank credit at the Federal Reserve Bank or any New York bank.

The amounts of gold encountered in hand-to-hand circulation hardly warrant the belief that there is so large an amount as \$500,000,000 outside the Treasury

and the banks. In fact, in most sections of the country there is so little gold circulated that the metal is almost a curiosity. This does not apply to the Pacific Coast and to certain of the States in the Rocky Mountain section, but even there gold is not so widely circulated as formerly.

Some of the gold accounted as being in circulation has left the country without giving evidence of its departure, while a material sum is undoubtedly hoarded. Bankers quite frequently tell of the practice of certain of their depositors to withdraw gold and lock it up in safe deposit vaults, a practice which undoubtedly grows in time of war or of distrust from any cause.

As a matter of fact, the timid person who holds a currency note of any kind need have no fear, for in substance every form of money issued is an obligation of the United States Government for a sum in gold equivalent to the amount expressed on the face of the note.

## RESOURCES AND POPULATION AS ELEMENTS OF WAR STRENGTH.

An influential economic journal in London has recently raised the point that perhaps the British Empire has relied too much on the potency of material resources and population as a means of winning the war. Whatever validity there may be in this point of view would seem to be applicable as well to the United States. Perhaps in strict justice to both countries it ought to be said that the natural confidence felt in men and money at the outset has been modified, more completely in the case of Great Britain than in that of the United States, owing to the difference in time the respective countries have been engaged in war.

There was undoubtedly in this country some disposition to feel at the outset that Germany was to be mightily impressed, if not actually overwhelmed, by the simple fact that a nation of such large population and resources had been added to the number of her foes. The indifference with which Germany regarded the entrance of the United States into the war was no doubt assumed, and was merely a part of the general policy of braggadocio by which that country has sought to convince the world of its invincibility. Nevertheless, so long as the United States was expected to win the war merely by quoting statistics of population and wealth, Germany had some justification for looking upon us as an enemy not to be dreaded.

The opinion may be here expressed with some knowledge of what is going on that our participation in the war from henceforward will go far beyond the citation of figures furnished by the census bureau.

Population and natural resources are of immense value in winning a war, though of themselves they are hardly the determining factors. The effectiveness with which men and resources are used and the spirit of the people count for more than numbers and money. Natural resources are valuable only as applied to the task at hand. Important as food is in the war, no one would seriously pretend that a fat and well-fed regiment from Broadway would be a match for the poorly-fed but well-trained and determined soldiery that might be encountered on almost any European battlefield.

But, as stated, there exists in the United States but little disposition now to pin our faith entirely to numbers or wealth. It is, of course, fortunate that we have available a large number of men, even if untrained, for men are needed; and also that we have money, for money is wanted. Our resources in food and materials will also assist most powerfully in helping to win the war. Behind all these material forces, however, there has slowly emerged a spirit of calm and earnest determination to put forth an effort which will reflect not the glory of the America of the men of great wealth, but that will cause to be remembered the lofty spirit of the pioneers who laid broad and strong the foundations of our present power.

## BUSINESS CONDITIONS.

No marked change has occurred in the business situation in the past week. Government activities are growing in importance day by day. Already expenditures, on our own account and for loans to the Allies, have reached the enormous total of \$24,000,000 every twenty-four hours. These figures have been reached after some four months of war, and an increase instead of a diminution may be expected for some time to come.

Bank clearings throughout the country this week were slightly below the figures of the preceding six days, but still well above those of a year ago. So many special transactions of a temporary character

(Continued on page 12).