

Banking and Business Affairs in the U.S.

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(Special Correspondence of The Journal of Commerce).

Outlook for Prices of Cereals.

Recent Government reports covering the supply of cereals in farmers' hands in country mills and elevators and at the other principal points of accumulation all indicate that there is a shortage in wheat, Indian corn, oats and barley. Therefore, unless the coming season's crops shall yield above the average, the outlook is for a continuation of high prices of cereals for at least a year to come.

Corn on farms March 1 was about 789,416,000 bushels, compared with 1,116,559,000 bushels last year, the total this year being the smallest since 1902.

Wheat held on farms March 1 was about 101,365,000 bushels, against 244,448,000 bushels on March 1, 1916.

Wheat in country mills and elevators on March 1 is estimated to be 39,614,000 bushels (14 per cent. of 1916 crop), compared with 155,027,000 bushels a year ago.

Oats on farms were about 398,985,000 bushels, compared with 598,148,000 bushels in 1916.

Barley on farms was about 32,841,000 bushels, compared with 58,301,000 bushels last year.

That there is a smaller surplus of these grains than usual at this time of the year arises both from lessened production and increased demand. Whatever may be the output of these crops for the current year can now be only a matter of conjecture, or largely so, at least; but that the demand will be active seems certain. Even were the end of the war in sight, the disbanding of the vast armies would be so slow that considerable time must elapse before the production of the grain crops could be materially increased by the return of agricultural laborers from the camps to the farms; nor on the other hand will the demand for these grains slacken much in the immediate future. But while the actual supply and demand may remain fairly steady, for at least another year, an immediate peace would, of course, bring down the speculative values to nearer the normal level. Some of the crops are already in the ground, while others remain to be planted. The increase in acreage which might be expected to be put under cultivation in view of the high prices will be restricted somewhat by the scarcity of farm labor. But this scarcity may be partially corrected by the higher wages now being offered on the farms which should tend to attract a considerable number of workers from the cities.

Railways Buying Equipment.

With the large increase of railway traffic and the betterment of earnings, it could not be expected that the railways would much longer delay in beginning to provide additional equipment. In February there were placed orders for 347 locomotives and 20,781 cars. While the new orders have been placed to enable the roads to care for the crop movement of next autumn, much of the additional equipment cannot be delivered until early in 1918 because of the large amount of work the car and locomotive shops already have in hand. Although the railways are still far from satisfied with the governmental attitude toward their business, they can not ignore the persistent demands being made upon them for greater facilities for handling the enormous traffic now being offered. The plea could be made that new business did not mean more profits, but the figures of net earnings would hardly bear out this contention. If the executives of some of the leading lines have heretofore shown a disposition to sulk, they are now inclined to take a more cheerful view, though they would be far from admitting even yet that there has been a definite clearing up of the railway situation. They have indeed pointed out that the present improvement has arisen from conditions which are unusual and whose continuance can not reasonably be expected. But while this claim may be true enough, the gain in earnings has now become so marked and the demand for greater facilities so urgent it is practically impossible for the railway executives to maintain a waiting attitude. This explains the belated movement for providing new equipment. It would seem that the awakening of the railway managers to the necessities of the situation was somewhat sudden, hence the deluge of orders coming upon the car and locomotive builders. Great as is the present demand upon the railways, it may be largely increased should the country become involved in war. Possibly a realization of this fact has had its influence in stimulating the railway executive to action in the matter.

Automobile Exports.

Returns have been compiled recently showing the exportation of automobiles, motor cars and parts for these vehicles. They show that the value of such exports for the past year was \$133,289,614, as compared with \$125,306,568 for 1915. This gain was made in the face of the fact that some of the European countries had either placed a high tariff on cars or prohibited their importation altogether, and that there were serious difficulties in the way of transporting the cars to a number of other countries. As showing the relative importance this industry has attained in the country's foreign trade, it is noted that only ten other groups of exported articles outrank this one, and that with \$133,289,614 for automobiles, motor trucks and parts, the export of all other kinds of vehicles—steam and electric cars and locomotives, carriages, wagons, motorcycles, bicycles and aeroplanes amounted to but \$43,668,245, and of horses and mules, \$90,761,874. Thus the automobile industry has reached an importance in our foreign trade greater than these other instrumentalities of travel combined.

France was the largest buyer of our motor vehicles, to the value of \$23,279,846, mostly trucks. England's purchases, amounting to \$17,083,616, also mostly trucks, were only half as large as in 1915. Sales to all other European countries decreased from \$22,490,725 in 1915 to \$14,519,483 last year. European Russia was the third most liberal customer in Europe, taking \$8,546,563, representing government purchases almost exclusively. Canada was a good neighbor, taking to the value of \$3,965,200, very nearly double her 1915 purchases and almost equal to the purchases of all the rest of the Western Hemisphere combined (\$9,567,167). The Antipodes was a fine market, also. Australia bought our cars to the value of \$5,727,233; the British East Indies, \$3,359,379, and other Asia and Oceania, \$10,842,305.

More Liberal Attitude Toward Foreign Loans.

When in November last the Federal Reserve Board issued what appeared to be a direct warning against the policy of investing in foreign loans on the part of American banks, many of the leading bankers of the country were greatly surprised, because they believed the continuance of such a policy absolutely necessary to the maintenance of our export trade. A statement was put forth by the Federal Reserve Board on March 8th which was intended to correct any wrong impressions that may have been created by the earlier advice. It is important enough, under existing conditions, to quote in its entirety:

"From statements which have been published from time to time, both in the American and foreign press, there appears to be a misunderstanding of the attitude of the Federal Reserve Board with respect to investments in foreign loans in the United States. On more than one occasion endeavor has been made to remove this misunderstanding.

"So far from objecting to the placing of foreign loans the American market, it regards them as a very important, natural and proper means of settling the balances created in our favor by our large export trade. There are times when such loans should be encouraged as an essential means of maintaining and protecting our foreign trade.

"The Board has already stated that its announcement of November 28, 1916, did not deal with the finances of the credit of any particular country, but only with banking principles which it seemed desirable to emphasize under the conditions existing at that time. The objection then made by the Board was to the undue employment by our banks of their funds in the purchase of foreign loans and not to the merits of foreign loans as investments. The Board was then, and is now, of the opinion that the liquid condition of our banks should not be impaired through undue or unwise use of their resources for investment operations.

"The position of the Board with respect to this principle has not changed. It still takes the view that foreign borrowings should appear primarily to the investor and not involve the use of banking resources beyond the limits of sound practice.

"In view, however, of existing conditions, especially as they affect our foreign trade, the Board deems it desirable and in public interest to remove any misconception that may be left in the minds of those who read the statement issued on the 28th of November, 1916.

"Since that date the country's gold reserve has been further materially strengthened and supplies a broad basis for additional credit. The board considers that banks may perform a useful service in facilitating the distribution of investments, and in carrying out this process they may, with advantage, invest a reasonable amount of their resources in foreign securities. So long as this does not lead to an excessive tying up of funds and does not interfere with the liquid condition of the banks, there cannot be any objection to this course.

"The board did not, of course, undertake to give advice concerning any particular loan. It desires, however, to make clear that it did not seek to create an unfavorable attitude on the part of American investors toward desirable foreign securities, and to emphasize the point that American funds available for investment may, with advantage to the country's foreign trade and the domestic economic situation, be employed in the purchase of such securities."

Governmental Borrowing Impending.

At the session of Congress just concluded legislation was enacted authorizing issues of bonds and certificates of indebtedness amounting to some \$600,000,000 or \$700,000,000, a sum which will likely be largely increased in the event of war. In the present state of the money market and with the smooth working of the country's financial machinery, these seemingly large amounts will be readily absorbed, even with the unabated demand for foreign loans. While fresh issues of United States bonds are no longer available for use by the banks as a basis for note circulation, there is a large investment demand for these securities, not only from the ordinary banks but especially from Savings banks, trust companies and estates. Indeed, the offerings of United States bonds in recent years have been so few that when a new issue comes upon the market it will probably be taken up with eagerness. Unless the issues of United States bonds shall be much larger than now appears probable, the placing of foreign loans here need not be interfered with, although with home securities competing for investment funds, outside applicants may have to pay a higher rate.

It is a matter of interest in this connection that gradually the demand for outside loans, except possibly upon the part of some of the nations actually engaged in war, is tending to diminish. Japan and Canada have shown abilities to attend to all or a large part of their own financing and to make some loans themselves. The demand from some of the prominent South American Nations will also probably slacken. The fact is that, for the time being at least, the Nations not actually taking part in the war are adding so much to their current income that the necessity for borrowing tends to diminish, while in some cases the borrowing Nations are changing to lenders. As to the length of this tendency and the permanence of its influence upon international trade and banking, no safe prophecy can be made. But it is nevertheless a most interesting phase of the present abnormal situation.

Business and the International Situation.

Last week the assertion was confidently made that Congress would authorize the President to arm American ships for protection against German submarines. This statement was made after an act granting this power had already passed the lower branch of Congress, and it was not believed possible that the measure could be defeated in the Senate. Actually, however, the bill did not reach a vote in that body before the expiration of the session by Constitutional limitation. This has led to a revision of the Senate rules so that hereafter unrestricted debate will no longer be possible in that body. An extra session of Congress has been convoked, and no doubt the measures the President deems essentials for the national defense will then be passed. Meanwhile, it has been decided to arm the ships anyway. It is not believed, therefore, that an actual conflict can be avoided unless the German Government decides upon a change in its submarine policy. Business is apparently unconcerned and calmly awaits whatever may happen. Building operations, bank clearings and some of the other prominent indices of commercial and industrial activity have shown a slight falling off, but this has been due largely to restrictions in foreign and domestic trade which the partial tying up of transportation facilities made unavoidable. These restrictions are being gradually removed, and trade will soon be pursuing its normal course.

The Bank Exchanges.

For the week ending March 10th exchanges of bank

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