

Banking and Business Affairs in the U. S.

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The Lever Food Control Bill, as passed by the House, contained a rather drastic prohibition feature, which promised to delay the passage of the bill, but at this time the early enactment of the law, minus the prohibition feature except with respect to whiskey, seems probable. This does not mean, apparently, that national sentiment is adverse to prohibition, but rather that to bring in legislation of this character in an incidental way was unwise and that it would delay the enactment of the Food Control law.

It would not be surprising, however, if prohibition in some form or other should again come up in the near future, for in addition to those who are opposed on principle to the traffic in alcoholic liquors, many others feel that if the tables of the people are to be pared down in the efforts to conserve food, the waste of food in the manufacture of intoxicating drinks should be stopped. Curiously enough, some of the present opposition to the immediate enactment of a prohibition law rested their claims on the allegation that a large revenue was at present being derived from the manufacture and sale of liquor—a contention that will hardly bear scrutiny, for while the Federal Government and the States and cities do at present derive a large gross revenue from permitting the manufacture and sale of liquor, it is exceedingly doubtful whether or not the traffic produces a dollar of net revenue. Indeed, many careful observers claim that the traffic is a source of expenditure rather than of revenue. However, this may be, and recognizing that temporarily the "bone dry" forces have met defeat, nothing is clearer than this, that the American people have made up their minds that the whole liquor traffic is against public welfare, and have pronounced a sentence of extinction against it. The execution of the sentence has been delayed for the time being, but the purpose of the people remains unchanged. An end of the American liquor traffic is one of the certainties of the near future.

COAL SITUATION ENCOURAGING.

Not only food but fuel is a vital need of this country and of our Allies—coal to run the ships and railroads, to feed the iron furnaces and furnish steam for all the manufacturing plants, coal in greater quantities than have ever before been mined in the United States or in any part of the world—and this need is being met by the operators and owners of the mines and by the diggers of coal.

The production of coal in the United States last year was the greatest in the history of the country. A new record, however, was set for the first six months of this year, fully 270,000,000 tons of bituminous coal being produced since January 1st, thus exceeding the output of the first six months of last year by about 20,000,000 tons. Even better news is that the limit has not yet been reached, for as the railroads are able to work out to better advantage the problem of car supply and give to the mines greater facilities for transporting their product to market, the supply of coal that reaches the consumer will be in steadily increasing quantities. In the early months of 1917, because of the congestion of the railroads and the difficulties of transportation, the production of bituminous coal fell behind the high mark set in January and February, a year ago. As a result of the patriotic and earnest endeavor of the railroad officials and the coal operators and representatives of mine workers who have volunteered their services to the Federal Government in this emergency, production has been speeded up within the last few months and the output of soft coal, which in May exceeded all previous records, was surpassed in June.

Despite the extra demand in this country and the urgent needs of our Allies no one with the facts before him can doubt that the coal industry, under the careful guidance of those now directing its welfare, will be able to supply all needs.

The difficulty of distribution now so great will be intensified, however, in the coming winter months. Just as consumers of foodstuffs are being urged to eliminate all waste and to practise sensible economy, so the consumers of coal must do their share in working out the coal problem by unloading every coal car as fast as it is received, and in improving their plants so as to utilize to the fullest the heat value of the coal that reaches their bins. In stopping

the coal panic and in expediting a condition of fuel sufficiency, every consumer can do his bit.

RAILROAD RATE INCREASE DENIED.

On June 29th the Interstate Commerce Commission denied the application of the railways for an advance of fifteen per cent. in freight rates.

"The emergency which the carriers believed existed," said the decision of the Commission, "when these proceedings were initiated was attributed by some primarily to the war in Europe. Various statements relating to a casual connection between the war and the railway emergency led us to include in a circular of interrogatories submitted to the carriers a question relating to the burdens which it was believed the war would cast upon them. While a number of witnesses referred to the burdens to the carriers of the war, viewing the record as a whole, no such burdens have been shown to exist, nor has the probability of their development been demonstrated. It was not shown that military transportation had been in the past, or is likely to be in the future, a financial burden to the carriers. On the contrary, certain facts were referred to which indicated that the transportation of troops had been more remunerative during certain mobilization in the past than ordinary passenger transportation. In so far as anything that is here asked of us might contribute to the success of the war we should respond unhesitatingly to the fullest extent of our lawful authority. We are not unmindful of the fundamental and immensely valuable service which the carriers perform in times of peace, and even more in times of war. No one will deny that the successful operation of the railways is vital to our national welfare. We fully appreciate the services which the railways are performing and the unusual efforts they are making to secure a maximum of efficiency. But this record does not convince us that the suspending or refusing to suspend the proposed rates, or the granting or refusing to grant increased rates, will facilitate or retard the successful prosecution of the war."

After discussing the history of the case further, the decision said:

"Increased prices of materials and supplies, the increased cost of fuel and increased wages are all significant and extremely important factors in the situation which we are here considering. Some of the symptoms are unquestionably unfavorable. Much, or all of what some of the railway officials believe will occur, may occur in the future. No one can know in advance. Higher prices are being paid to-day, and still higher prices may have to be paid in the future; but that these higher prices will have that unfavorable effect on the general operating results which some believe they will have is by no means certain."

In its decision the Commission indicated its willingness to increase class rates in the Eastern district approximately 14 per cent. Since about one-fourth of the freight handled is moved under class rates the decision virtually allows the Eastern lines about 4 per cent increase in gross freight revenue. Increases sought in rates on coal, coke and iron ore will be granted.

The Commission found, as result of extended hearings that the carriers generally showed a substantial and increasing financial prosperity, and that they had ample resources with which to conduct transportation.

The Commission suspended the proposed tariffs until October 28, but it indicated that no rehearing of the case will be of value at this time, and suggested cancellation of the tariffs.

The Commission finds that the gloomy forecasts of jeopardized incomes, seen by railroad officials early in 1917 have not been borne out by the figures available for later months. The proceedings were brought in March, when the returns from February were just being made. February was one of the worst months in railroad history. The subsequent months have shown increasing revenues, while expenses have, in many cases, failed to mount to the extent the carriers' officials feared.

The decision points out that the carriers' comparisons have been made largely with those of 1916, which was the banner year in railroad earnings, and adds that the 1917 income might be considerably diminished without necessarily indicating a danger point in earnings.

REGULATION OF THE PRICE OF COAL.

Coal operators in conference with the Council of National Defense on June 28th adopted a resolution authorizing reductions of from \$1.00 to \$5.00 a ton in the price at the mines of bituminous coal at all mines east of the Mississippi River. This concession on the part of coal operators which means to them an annual reduction of some \$180,000,000 in the amount they will receive for their output, is regarded not only as patriotic but as assuring that the basic industries of the country are not to be hampered by the high price of coal. Minimum prices will be fixed for bituminous coal at the mines, and similar action is expected regarding anthracite coal, resulting in a very marked reduction in price to household consumers.

There is, of course, a valid reason for the high price of coal—the increase in demand and the lessened supply of labor. Naval requirements alone call for a very large amount of coal, and production at the mines has been restricted by the difficulty in procuring labor.

It was not to be expected, however that the Government could look on without concern while the price of this commodity was steadily mounting. Coal is required for the navy and for manufacturing, and furthermore certain of the Allied nations are badly in need of it. To carry on the war and to sustain the country's industries, coal must be had at a reasonable price, even if the profits of those who handle it must be reduced to a minimum.

CURTAILING RAILWAY SERVICE.

Announcement is made of a curtailment of service by the Pennsylvania Lines, dating from June 2nd. In all some one hundred and two trains will be discontinued, cutting down the passenger movement more than 6,500 train miles every day in the week and amounting to some 2,268,000 train miles a year. Sleeping-car, club-car and observation-car service has been discontinued from many trains.

If the railways can not get the rate advances they have asked for, they must make economies by reducing their service to the public. As this service for many years has been marked by great liberality, it is doubtful whether the public will suffer much if any inconvenience on account of the reduction in service now being made.

While the railways are cutting down their service, the inquiry naturally arises as to what may happen in time to other lines of industry. The capital and labor employed in the automobile industry, the amount of gasoline and other materials consumed, must in time attract the attention of the conservationists, and it would not be surprising if the near future should see a radical check to expenditures on this score.

Lord Northcliffe has warned us recently that the war is only beginning, and if this be true the American people must be called on to make sacrifices which as yet they have scarcely considered. Before long substantially all branches of industry and trade now given over to the ministry of amusement and luxury may have to turn their attention to the grim trade of war.

THE BUSINESS OUTLOOK.

For the past six months the reports contained in these letters have borne testimony to a gradual expansion of industry and trade, and as we come to the close of the half-year there is nothing at present in sight to warrant the belief that the concluding six months of the year will tell a different story. The indices of trade are still near to record figures, and in many lines at the maximum. The direction of business activity, as long ago foreshadowed, has indeed changed, but its intensity has not relaxed but has increased. The stimulus to commercial exertion consists usually in the desire to accumulate money with the power which such accumulation brings. Now we are witnessing a new impulse to business—the thought of defending our own country and of co-operating with those whom we believe to be fighting our battles. The desire for gain is unquestionably a strong incentive to exertion in industry and trade, but the instinct called "patriotism", among the most primal of man's nature, will spur men to efforts even greater than they will put forth for the winning of profits alone. As the weeks go by, there is a growing feeling in the United States that, in addition to being morally right, we are in this war to win, and that we mean to try very hard to help in defeating those aligned against us. This feeling will keep our activities eager and alert until the war is won. If the energy thus displayed be given to the making of war materials and to the prosecution of war itself instead of to the peaceful industries, it will nevertheless insure the avoidance of any period of stagnation while the war lasts.