

Banking and Business Affairs in the U. S.

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Depression in the Stock market has been the overshadowing event of the week in financial circles, not because the operations of the New York Stock Exchange are in themselves of superlative importance, but because at times (though not always) they do reflect with a considerable degree of accuracy the prevailing financial feeling of the country. It may as well be borne in mind, however, that Wall Street represents at all times rather a high degree of nervous pressure, and that its various emotional stages are subject to some discount. But when all this is taken into account, the fact remains that the week's severe fall in stocks does indicate a rather serious situation. And while it has been intensified by the unfavorable news from the Italian front, this is but one of several adverse influences operating for some time to depress security values. The causes of the decline lie below the surface of the day's war news, though fluctuations in the military situation of course exercise a very marked influence on the market.

Heavy demands on the great industrial and financial corporations for loans and taxes, coupled with a general legislative policy toward the railways and other business interests which has tended to unsettle values, are some of the leading factors in causing the decline in values. But a more important factor, perhaps, consists in the uncertainty of the future—not so much with respect to the military situation, but as relates to financial affairs. Provision can be made for still heavier taxes and for still larger loans, but business men naturally feel anxiety over a situation whose demands in these respects even the most expert financier could hardly forecast.

FARM CROPS SLOW IN MOVING.

Disappointment is expressed in business circles that, notwithstanding the heavy production of corn and some other crops, the markets are not receiving at this time of the year the usual amount of grain. In other words, that the farmers are holding back their crops for higher prices. This week's movement of wheat has, indeed, shown a marked increase over that of last week, but on the whole the crops are not coming to market with the desired rapidity. The storage of goods of many kinds to await higher prices has been practised for some years, and to such an extent that Congress and the State Legislatures have thought it advisable to control such storage by appropriate legislation. But, as a rule, in passing laws to prevent the storage of commodities for the purpose of raising prices, the farmer has either been exempted or placed in a more or less favored class. In these times, with food prices so high, and the demand for food supplies so great, special attention may be attracted to the farmers who hold their crops for better prices. At first sight, it would seem that the grower of a crop has the right to hold his product for the best obtainable price; and it is clear that the farmer who grows his own grain and does not sell it until he can get a satisfactory price is not in the same category with the speculator who buys up available stocks of grain and stores them until he can force the market up to the point at which he wishes to sell. Still, both of these transactions tend to enhance price, and if enough farmers would store and hold their grain for the highest figures, the practical result might not be much different than where the grain is bought and stored by speculators. As to the desirability of storing many kinds of products and placing them upon the market gradually, there is no question. At the present time, however, the world is in need of abundant supplies of grain, and the holding back of any considerable quantity occasions serious concern.

ECONOMIC WEARINESS AS A WAR FACTOR.

When Premier Kerensky of Russia stated recently that the people of that country were suffering from economic weariness, he called attention to what may yet prove a determining factor of the war. Some one nation, or some group of nations, may wear out economically before a military decision is reached. Food shortage undoubtedly constitutes the most striking indication at the present moment in this direction, but the time may not be distant when financial and industrial weariness will also begin to tell on the belligerent countries. As the economic strength of the Allies far exceeds that of the Central Powers, it should be easy to determine where the advantage lies if the war is finally to be settled by economic exhaustion. The vast resources of food and metals, and needed supplies of all kinds, available to the Allied Powers, would seem to render them invincible

from the purely economic standpoint. Their command of money is also much greater than is that of their enemies.

Obviously, there is some factor in the situation which escapes analysis. Possibly the vast size of the armies in some of the Allied Nations makes it exceedingly difficult to keep the military forces in operation and at the same time sustain the ordinary industries of the country. Russia probably affords the most conspicuous illustration of this difficulty, because of her immense army.

Rich as are the people of the United States, they have been reminded that it will require a great increase in saving, the closest economy and the most careful handling of the finances, if we are to raise by taxation and loans the huge sums which we must provide to help in keeping the war machinery of the Allies in motion. The military and naval burdens of the war are now chiefly being borne by other countries, but the heavier share of financing the Allies now becomes our duty. The power to pay taxes and to make loans has been by no means exhausted, and no doubt exists that we shall be able still to raise vast sums. It will become, however, as time goes on, and the recovery from previous loan operations becomes less rapid, a matter requiring greater effort each time to provide the new loans. Similarly in regard to taxes, the ability to pay them will diminish, to some extent, with each fresh imposition. Fortunately, we have not yet resorted in this country to forced legal tender currency, nor are we likely to do so. There is still a large unused power to issue convertible Federal Reserve notes.

If any country should practically drop out of the war as a result of diminished industry, it would show that the strain put upon a country's industries by the withdrawal of both capital and labor for war purposes, is a factor of almost as much importance as the military and naval operations. Since ruder times, when the men did the fighting and the women cultivated the fields, there have been great economic changes, calling for the continued employment of men in the varied lines of industry. Millions of men and of money can not be taken from these industries without causing a serious reduction in the volume of commodities to which the people have been accustomed. Besides, the long-continued effort to provide the huge volume of supplies daily consumed by war inevitably tends toward that economic exhaustion of which the Russian Premier complains.

HOUSING FOR WORKERS.

The sudden creation of new industrial communities as a result of the demand for war materials has given rise to a new problem—that of quickly providing adequate housing for the workers employed in these new or enlarged industries. The situation is complicated by the fact that building materials are scarce, owing to recent curtailment of production. It is likely that the exigencies of the situation will call for Government intervention, for under the circumstances private enterprise can scarcely be depended on to meet the demand. Thousands of additional men have been added to many of the existing plants, and in numerous instances new plants have arisen in a very short space of time. The comfort, health and efficiency of these laboring forces demand the prompt furnishing of adequate housing facilities. Possibly, the experience thus gained, under the present extraordinary conditions, may lead in the future to a wider participation of the Government in places for improving housing conditions among factory workers. The congestion of employees in some lines of industry in the larger cities has given rise to many serious problems of sanitation and transportation, and while the Government in making hurried preparation to care for those engaged in special war industries can hardly give to the subject the attention which its importance demands, it is not improbable that attention will be drawn to the matter in a way that will have good results in the future.

THE BUSINESS SITUATION.

As already stated, the event of the week was the fall in stocks. But business in general continues active and the situation at least as strong as could be expected under present conditions. Commercial failures for the month of October, according to Dun's report, although slightly above those of September numerically, are materially below those of October in the last eight years, with the exception of 1916. This is considered an excellent showing for a time of war with all its attendant uncertainties.

The flurry in the stock market finds the New York banks in a strong position, their surplus reserves having increased during the current week by some \$55,000,000.

Bond prices are still unsatisfactory, and probably must remain so while the Government continues to make such heavy demands for funds.

Although frequent reference has been made to the railway situation, this still remains a topic about which much might be said, for men expert in financial affairs consider that relatively to the demands made upon them, the railways of the United States are now in a less favorable condition than at any time in their history. No doubt they will shortly obtain temporary relief of some kind, but that the root of the difficulty will be reached in the near future is too much to expect. Indeed, it may require a long period of discussion and education to bring home to the public a full realization of the magnitude of the problem.

The tone in business sentiment generally here is not exactly what could be wished, but the news from the seal of military operations has been the chief factor which has brought about this condition, rather than any marked change in business itself. Manufacturers, merchants and all who are engaged in industry and exchange are busy and an enormous volume of business is being done. But business interests generally are in somewhat the same situation as the railroads. More money is being earned, taking the gross figures, but the income remaining after costs of operation are paid seems to keep shrinking, if not in actual amount, at least with respect to what it will buy. There are certain industries to which this observation is not applicable, and where extraordinary profits are being made. Of these profits a generous proportion will go to the Government in the shape of excess profits taxes.

As the factors which in the past week have had a tendency to depress business sentiment are liable at any time to be reversed, it is not improbable that a sharp recovery from the recent depression may take place very soon.

Reviewing all the phases of the situation, it may be said with confidence that the American business situation continues strong and fundamentally sound.

CANADIAN RAILROADS HAVE BIG MONTH.

The gross earnings of Canada's three principal railroads in October made a new high record for any month. The three railroads handled in October the greatest volume of traffic in their history, and their combined gross earnings, as reported in their weekly statements, established a new high record for a month at \$24,379,125.

The previous high mark was \$23,709,303 in May of the current year. Prior to this year the high record had been \$22,479,121 in October, 1916.

All three roads shared in the increase, but the chief factor was a remarkable expansion in Canadian Pacific earnings in the second half of the month. After starting out with a decrease of \$124,000 in the first week, and only a fair sized gain, \$29,000, in the second, Canadian Pacific ran up increases of \$497,000 and \$819,000 in the third and fourth weekly periods, respectively, the latter being one of ten days. As a result of these remarkable gains over the same month last year, the company's total gross rose to the largest figures ever reported in the weekly statements for any one month, namely \$14,593,000. That compared with the company's previous maximum \$14,359,000 in October, 1913, and \$14,068,000 in the best previous month of the current year, namely May.

The October, 1917, gross earnings of the three companies, with the increases over October a year ago, follow:

	October, 1917.	Increase.	P.C.
C. P. R.	\$14,593,000	\$1,491,000	11.4
G. T. R.	5,844,525	184,204	3.3
C. N. R.	3,941,600	224,800	6.0
	\$24,379,125	\$1,900,004	8.5

The return for the last ten days of October, completing the month's figures were issued on Saturday and were as follows:

	Oct. 21-31.	Increase.	P.C.
C. P. R.	\$4,989,000	\$ 819,000	19.6
G. T. R.	1,935,666	94,574	5.2
C. N. R.	1,350,200	178,200	15.2
	\$8,274,866	\$1,091,774	15.2