WATCH SOUTH AMERICA'S TRADE

United States Banks Are Given Right to Furnish Necessary Credits if Advisable

The commercial interests of Canada are watching new openings for the extension of business. Russia is regarded as the most prominent market of possibilities, but South America offers many opportunities despite many difficulties. One of the latest Canadian efforts to secure business in this market is seen in the fact that Mr. James Spelman, president of the John S. Metcalfe Company, Limited, of Montreal, recently visited Buenos Aires in connection with the proposal of that company for the construction of an extensive system of grain elevators.

The United States are making great efforts to capture the trade of Latin American countries, and the secretary of the United States treasury in a report to the president not long ago, made the following recommendations concerning the establishment of branches or agencies of federal reserve banks in South American countries:—

Credit Resources of United States.

The federal reserve act has so consolidated and organized the credit resources of the United States that the bankers are, for the first time in history, able to engage in world-wide financial operations. Resources are available. It is merely a question of their intelligent use.

The first step should be the establishment of the necessary branches or agencies in the leading cities of all of the countries of South and Central America by a bank or banks having the necessary resources to take the business that is open to them. One of the largest banks has had the enterprise to establish branches in some of the largest cities in South America, but manifestly the resources of a single bank or of several of the largest banks of the United States are insufficient to meet the demands of the situation as it now exists, and as it will develop in the future. What is needed is the use of the consolidated banking power of the United States applied through agencies established in the leading cities of Latin America.

Banks Can Use Power.

The federal reserve act has supplied the necessary authority, and it only remains for the federal reserve banks, with the approval of the federal reserve board, to make practical use of that power. The right is given "To establish accounts with other federal reserve banks for exchange purposes and, with the consent of the federal reserve board, to open and maintain banking accounts in foreign countries, appoint correspondents, and establish agencies in such countries wheresoever it may deem best for the purpose of purchasing, selling, and collecting bills of exchange, and to buy and sell with or without its endorsement, through such correspondents or agencies, bills of exchange arising out of actual commercial transactions which have not more than ninety days to run and which bear the signature of two or more responsible parties."

In addition to these powers, the federal reserve banks may, "under rules and regulations prescribed by the federal reserve board, purchase and sell in the open market, at home or abroad, either from or to domestic or foreign banks, firms, corporations, or individuals, cable transfers and bankers acceptances and bills of exchange of the kinds and maturities by this act made eligible for rediscount with or without the indorsement of a member bank," and may "deal in gold coin and bullion at home or abroad, make loans thereon," etc., and "buy and sell, at home or abroad, bonds and notes of the United States," etc. Enlargement of these powers would be desirable to increase the usefulness of foreign agencies of federal reserve banks and it is probable that the congress would grant such enlarged powers upon good cause shown.

Establish Joint Agencies.

The 12 federal reserve banks could, with the consent of the federal reserve board, establish joint agencies in each of the countries of Latin America, their interest in such agencies to be in proportion to the capital stock and surplus of each participating federal reserve bank. The combined capital stock and resources of the federal reserve banks, utilized in this way for the extension and promotion of the foreign commerce of the United States, would give them unrivalled financial power. They could maintain themselves in foreign fields in competition with the world and perform a service of incalculable value to the American people.

During the Pan American Financial Conference the suggestion was made by some of the leading bankers that the national-bank act might be amended so as to permit a number of the national banks to become stockholders in an independent bank organized for the purpose of doing business in foreign countries. This plan, even if it were not open to objection, would be manifestly inferior to the agency of the combined federal reserve banks. The federal reserve banks comprise in their membership every national bank in the United States, as well as a number of the leading state banks and trust companies. They constitute a financial organization of unequalled strength, and their operations in foreign countries will be for the common benefit of all of the national banks, state banks, and trust companies composing the federal reserve system. These agencies in foreign countries could, in addition to their banking business, render a great service to United States business men and bankers by furnishing credit reports and general information about trade and finance in the various countries in which they operate.

Joint Agencies in Foreign Countries.

The power of the federal reserve banks to establish such joint agencies in foreign countries with the consent of the federal reserve board, appears to be beyond question. The initiative rests with the federal reserve banks. While they can not be compelled to establish such agencies, I believe that upon a careful study of the situation, and with the encouragement of the federal reserve board they will be prompted to take this important step.

The establishment of federal reserve agencies will not prevent the member banks from carrying on and enlarging the business they are now doing in foreign countries. It is gratifying to note many of our national banks and trust companies are showing commendable enterprise in supplying credits to Latin America.

MANITOBA REVOKES LIFE CERTIFICATES

Mr. A. W. Smith, secretary of the Manitoba Public Utilities Commission, tells *The Monetary Times* that the certificates granted under the Manitoba sale of shares act to the Western Life, the Western Empire Life, and the Alberta-Saskatchewan Life insurance companies were rescinded, and notice given in the Manitoba Gazette. This action was taken under Cap. 69, Sec. 1, Sub.-sec. 2, passed April 1st, 1915, which reads as follows:—

"(2) Whenever it shall appear to the Commissioner that the assets of any such company are impaired to the extent that such assets do not equal its liabilities, or that it is conducting its business in an unsafe, inequitable or unwise manner, or is jeopardizing the interest of its stockholders or investors in shares, stocks, bonds or other securities, or whenever any such company shall fail or refuse to file any papers, statements or documents required by this act or by any order of the Commissioner, without giving satisfactory reasons therefor, the Commissioner may revoke the certificate granted to such company, and the license or licenses granted to any agent or agents thereof, and may cause notice of such revocation to be published in the Manitoba Gazette and in such other manner as to him may seem expedient, and any certificate or license so revoked shall be no longer of avail to the said company or any agent thereof."

The Dominion government has offered the entire possible Canadian output of canned meats to the war office for army and navy purposes. The prices quoted are not disclosed. The offer has been sent by the minister of agriculture to Sir George Perley, following an investigation of the live stock situation by Mr. Burrell. If the war office accepts the offer the supplies will be sent forward in monthly shipments for the next six months. It is probable that the war office will also place in Canada large orders for dressed beef, regarding which negotiations have been in progress for some time. If orders are placed here for both dressed beef and canned meats the effect will be to stimulate the live stock industry.