

# Banking and Business Affairs in the U. S.

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NEW YORK, August 11.

At last we have the Food Control Law, with far-reaching powers placed in the hands of President Wilson. The first disposition of the markets toward this and other innovations in the direction of Government regulation of production and prices was anything but favorable, but later some of the tendency towards pessimism was arrested and prices advanced. It is a novel experience for our great captains of industry, grown somewhat flushed with success, to be told that they will sell to the Government, to the Allies and even to private consumers at prices which the Government itself fixes as offering a fair profit. There has been some disposition to sulk, but adequate power resides in the authorities to compel production, at least in certain lines, at whatever price the Government may fix. There is, naturally enough, impatience with those who have taken advantage of the present situation to make enormous profits, and in seeking to give expression to this righteous indignation it is just possible that the Government may go too far. In fact, long before the war began—or rather before this country became a party to it—there was a serious controversy between the Government and the manufacturers of materials used in the construction of battleships, for example; and in other lines investigations by commissions were the order of the day to see if the railroads and large industrial establishments were not making inordinate profits. It would be a fairly safe inference that the Government rather regards with satisfaction the present opportunity of saying in a peremptory manner to the great industrial concerns that they must produce at the price the Government names. Members of official commissions have wanted to exercise over prominent branches of industry the same degree of authority that was long ago applied to the railroads, but the way to do this was not easy to find. The war offers exactly the opportunity that was wanted to make the great basic industries of the country subservient to Federal authority.

The tendency of such innovations is to persist long after the exigency that called them into being has disappeared, and it would not be surprising to see a larger control over industry than heretofore by the Federal Government.

## NEW BOND ISSUE COMING.

Intimations have come from Washington that a new bond issue, possibly to the extent of \$6,000,000,000, will be asked for before the adjournment of the present session of Congress, and that some \$2,000,000,000 of this sum will be devoted to further loans to the Allies. It is expected that the rate on the new loan will be higher than on the one previously issued, probably four or four and one-half per cent. The act authorizing the first issue of bonds provided that should future issues carry a higher rate than three and one-half per cent, the interest rate on the first issue would automatically increase to that rate.

A system of national savings associations, by which Government obligations of small denomination and bearing interest may be distributed throughout the country and supplement or become a part of the various war loans, has been worked out by the Treasury Department. The system may be put into operation as a part of the campaign to float the second instalment of Liberty Bonds.

The system has been worked out much along the lines of the British war savings plan, by which people of small means may invest in Government paper of denominations ranging from a shilling up. Under the Treasury Department plan, it is understood, a system similar to the postal savings system will be devised, with provision that after the accumulation of a certain amount, probably as low as \$5, interest-bearing securities may be purchased.

As bearing upon the ability of the country to float large loans, it may be of interest to call attention to the very striking increase in the supply of money in circulation in the United States. Going back as far as January 1, 1879, the date of the resumption of specie payments after the suspension on account of the Civil War, it is found that the total money in circulation was then only \$816,226,721, equal to \$16.92 for each inhabitant. On July 1, 1916, the total had risen to \$4,018,143,555 and the per capita circulation to \$39.23. A further advance has taken place within the last year, the total on July 1, 1917, rising to \$4,850,459,720 and the per capita to \$46.57.

The amount of the various kinds of money in circulation is determined by deducting from the appropriate item in the general stock of money the amount

held in the Treasury as assets of the Government and the amount held by Federal reserve Banks or Federal reserve agents against issues of Federal reserve notes. Gold and silver certificates and Treasury notes of 1890 in circulation are represented in the general stock of money by equal amounts of gold coin or bullion and standard silver dollars held in the Treasury for their redemption. Amounts of Federal reserve bank notes and national bank notes are amounts of issues by Treasury to banks less amounts held in Treasury as assets of the Government.

The general stock of money in the United States, which includes gold held in the Treasury for the redemption of outstanding gold certificates (\$1,592,295,379, and \$528,475,000 Federal Reserve Gold Settlement fund on July 1, 1917) and standard silver dollars held in the Treasury for the redemption of outstanding silver certificates and Treasury notes of 1890 (\$479,477,550 on July 1, 1917) was on July 1, 1917, \$5,480,009,884, of which \$3,090,607,703 consisted of gold coin and bullion.

## THE WAR REVENUE BILL.

With most of the great military measures already on the statute-book, final debate is now going on in the Senate on the War Revenue Bill which has already passed the House of Representatives, in which all revenue measures must originate.

It is the plan of the Senate, apparently, to eliminate the House provision for a flat duty of ten per cent on all imported articles, on the ground that such additional duty would interfere with the existing tariff and perhaps be dispensed with, much heavier impositions are contemplated on incomes and profits, particularly those arising from war business. A compilation, said to have been made by a prominent New York banking-house, shows that under the bill as drafted by the Senate committee forty-five of the great corporations will pay war profits taxes of \$239,977,000, against only \$77,736,000 provided for in the House bill.

Since the bill went through the House, it has been found necessary to raise larger sums during the current fiscal year than were originally contemplated, and in putting the onus of the burden upon the large corporations profiting from war orders the Senate is following public opinion which inclines to the belief that the unusual returns derived from this source should in large measure be turned into the Treasury to help in lightening the cost of the war. Additional tariff duties, under the theory held by the dominant political party, that the consumer pays the tariff taxes, would have fallen more heavily upon the shoulders of the people at large. There is not altogether a comfortable feeling in higher business circles over the prospect of increased taxes on the one hand and lower prices, fixed by the Government, on the other.

## RAILROADS PROSPERING.

At last the mournful note in everything relative to the railways of the United States has given place to a more cheerful tone. Inter-State Commerce Commission returns for the month of June, including 153 lines operating three-fourths of the country's mileage, indicate that the net revenues increased \$8,000,000 over June, 1916, and reached a total of \$88,283,329.

Preliminary figures covering the first six months of 1917 show an excess of \$2,500,000 in net revenue over the record figures of a year ago. This increase was in the face of several bad months during the winter. The returns are interpreted as indicating that the railroad will exceed in 1917 by many millions the high figures recorded last year.

Total operating revenues of the 153 roads during the first six months were \$1,489,248,702, an increase of \$163,000,000 over the first six months of 1916. Expenses totaling \$1,065,281,720 were approximately \$160,500,000 greater than a year ago.

Thirty-three roads are not included in these returns, but on the basis of the reports already in the total operating income of all the roads for June should show a \$10,000,000 increase, at least, over June, 1916. The complete returns, it is estimated, will show the enormous total of \$1,800,000,000 in operating income during the first six months of the current year. The increase in operating revenues for all roads during the period is expected to amount to approximately \$190,000,000.

On the basis of these figures it is not unlikely that the roads will receive around \$4,000,000,000 for operations in 1917, an increase of 20 per cent over the previous high total. Expenses have also largely increased, but the margin between revenues and ex-

penses is expected to be greater than ever before.

Commenting on these figures, the New York "Commercial and Financial Chronicle" says:

"As a matter of fact, later and more complete returns indicate that these early figures were much too favorable. Totals given out concerning 206,030 miles of road (out of somewhat over 250,000 miles for the whole country) show for the six months an increase in gross of 178 million dollars accompanied by an augmentation in expenses of 181½ million dollars, producing an actual loss in net of 3½ million dollars—this notwithstanding the enlarged capitalization."

Prices of the leading railway securities for some time have been low, and it has also been difficult to raise capital on favorable terms for new construction and equipment. The improved condition indicated in the above figures should materially change this situation.

## GENERAL BUSINESS CONDITIONS.

The embargo on exports, price-fixing possibilities, and other expedients growing out of the war, have all tended somewhat to unsettle conditions in the past few days, but an early adjustment to the new situation may be counted on as certain.

Bank clearings keep up at high figures, the total at New York on a single day last week being the largest ever recorded with one exception, while throughout the country record figures are being made. The total for the current week was \$5,747,609,926, against \$5,682,201,240 the preceding week, and \$4,075,889,110 the corresponding week of last year.

Unfilled orders of the United States Steel Corporation for the end of July again showed a reduction as compared with the end of June, being 10,844,164 tons on the first date and 11,333,287 on the latter.

It is understood that this tendency to catch up with orders results, to a considerable extent at least, from the present policy of discouraging outside orders so that preference may be given Government contracts. Locally, however, there is some decline in the demand for structural steel as the requirements for building purposes are falling off. Returns from one hundred leading cities, as compiled by "Dun's Review," show that expenditures for this purpose in July were only \$53,068,111, a decrease of 50.2 per cent, as compared with July, 1916. This marked decline is principally attributable to the higher cost of building materials and labor, although special circumstances in New York, relating to changes in the building code, were an important factor.

General prices continue high, Dun's index number on August 1 being at a new high level, \$218,779, a rise of about 3.2 per cent over the previous month and of 52 per cent above the point reached on August 1, 1916.

July commercial failures were fewer in number than for the same month in 1916, or for the like period in any year since 1916. Indeed, if all the familiar indices of business activity were examined in detail, they would but constitute further confirmation of that exceptional degree of prosperity which has prevailed for many months. Occasional untrustworthy rumors about peace negotiations have had temporary effects upon the speculative markets, but little upon general business. By September the newly-called recruits will be engaged in training for war, and the ranks of labor, which were none too well supplied before, will suffer still further depletion. Already difficulties have been experienced in some lines in keeping up production to the abnormal demands being made.

The crop outlook on the whole continues good, and with the conservation movement now well under way, it should be possible to supply our own people and to make very large exports of provisions.

## ALGONQUIN PARK.

The Algonquin Provincial Park of Ontario is a region of expansive lakes abounding with the sportiest of fish, of hurrying streams, primeval forests of pine, spruce and fir, where almost every species of Canadian fauna roams in freedom; cool sward and wild upland bush, swept by pine-scented winds; ideal camping spots and sylvan retreats—everything, in fact, that is dear to the heart of the lover of outdoor life. Splendid hotel and log cabin camps operated by the Grand Trunk Railway. A charming place to spend a summer holiday. For handsome illustrated booklet write to or call on M. O. Dafeo, Grand Trunk Ticket Office, 122 St. James St., Montreal.

An old lady once went up to a sailor and asked him why the ship had stopped.

"Can't get along on account of the fog," said the sailor.

"But can't you go by the stars?"

"We're not going that way, unless the boiler busts, mum."