

Banking and Business Affairs in the U.S.

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(Special Correspondence of The Journal of Commerce).

NEW YORK, April 21st.

Some concern is undoubtedly being felt over the possible effects which the war may have on business here. The necessity of turning so large a part of the productive energy of the country, in a very short time, to supplying military requirements has caused some apprehension as to what effect this may have on general production and trade. The opinion was expressed last week that the entrance of the United States into the ranks of warring nations would have a stimulating effect on business—an opinion which would seem to be sustained by recent experiences. On the other hand, it is fully realized that while business will be more active than heretofore, this activity will at first be manifested along certain lines only and for a time there may be some dislocation of industry. An immediate shifting of industry, such as military operations require, cannot be made without considerable inconvenience; but once made, the tendency is toward a restoration of the former equilibrium and even greater prosperity. An example of this was afforded at the outbreak of the European war. For the first few months business was exceedingly nervous, with marked signs of a pending depression. Then the concerns supplying munitions began to make large earnings, and ultimately the fresh impetus thus given to business extended into all branches of industry and trade. We are facing a different situation now, it is true, but in the main the process is chiefly one of readjustment, and whatever pause may take place in one line will merely be preparatory to embarking in another and probably with redoubled energy.

It is recognized, of course, that the very eagerness of people to help in "doing their bit" may cause some temporary inconvenience; as, for example, any sudden curtailment of consumption in a particular direction, but when the people adjust themselves fully to the altered situation, as they will in a reasonable time, there seems no good reason to doubt the continuance of prosperous business conditions.

PENDING FINANCIAL MEASURES.

While the bill providing for the \$7,000,000,000 credit has passed both the House and Senate, and without a single negative vote being recorded, the measure has not become a law at the time this is written, some amendments, which had to be agreed on by representatives of the two Houses of Congress, delaying final enactment. These have now been settled, and the bill will go to the President and become a law almost by the time this letter is printed.

Some time is required to attend to the details of a large bond issue, and meanwhile the current needs of the Treasury are to be met by the issue of perhaps \$200,000,000 of certificates of indebtedness, redeemable July 1st when the Government will have available a large income from taxes then accruing.

This issue of certificates will be quite independent of the large financial operations of the war, which are to come later. While a previous issue of \$50,000,000 of such certificates was taken by the Federal Reserve Banks, the new issue may be absorbed by the ordinary financial institutions—State and National banks, savings banks and trust companies.

The sale of these certificates to the banks will not be in contravention of present financial plans, which look to subscriptions to the new bond issues from private investors instead of the banks. It is the aim to keep the banking funds intact so far as possible to meet the usual requirements of production and exchange. Possibly, in the long run, the banks may be called on for subscriptions to future bond issues, but the prevailing opinion seems to be that it is best to hold the banking resources in hand as long as possible for ordinary purposes. Present bank reserves are far above the legal requirements—greater, in fact, than ever before known, but with the almost world-wide demands now being made upon them, and with home requirements promising in the near future to be exceptionally heavy, the banks will probably have all they can care for.

Methods for raising additional revenues are now under discussion by the Ways and Means Committee of the House, and the next few days will undoubtedly witness important legislation of that character. Heavier taxes on practically all kinds of business, as well as upon incomes, are certain to be imposed.

GAIN IN BANK CLEARINGS.

For the week ended April 21st bank clearings in the United States were \$5,923,660,585, which compares with \$5,855,010,460 for the preceding week and \$4-

457,259,979 for the corresponding week of 1916.

Bank clearings are not an entirely trustworthy index of business activity, since they are affected to an important degree by dealings in stocks and also by fluctuations in price. At present, perhaps, the latter influence is greater than the former, for there has not been exceptionally heavy stock trading of late, but general commodity prices have risen sharply.

Recent increases in bank clearings have extended to practically all parts of the country, indicating that the activity in business is widespread. The gain for the chief centres outside of New York is greater than that in New York itself.

The rise in bank clearings as an evidence of active business is further supported by record figures of anthracite coal shipments and unfilled steel orders for the month of March. These facts are of especial significance as indicating the indisposition of business to get frightened at the war. It will be remembered that the severance of diplomatic relations with Germany occurred on February 3rd, and that while the actual declaration of war was not made until the sixth of April, ever since the earlier date business has been going on with a full realization of impending hostilities. Indeed, it would hardly be going too far to use a Stock Exchange phrase and to say that American business men have discounted the war as an unfavorable element. This is certainly true so far as relates to the absence of any fear of German frightfulness extending to this side of the Atlantic, although conservative opinion does not fail to realize that a situation like that in which we are now placed may contain elements of uncertainty. As it was impossible to foresee the factors that brought about sudden prosperity when the European war began, it is understood that the present era of high pressure in finance may not be wholly lacking in surprises of another kind. An element of undisputed strength, however, consists in the fact that not only are the banks and the Treasury in a very strong position, but they are working in perfect accord. Without boasting, therefore, it may be asserted that our financial system here will be the very last to break down under the present world-wide strain.

RUSSIA ATTRACTING ATTENTION.

Political events in Russia have recently brought that country to the forefront in world affairs. Reports are current at this time of the despatching of a Government commission to Russia, composed of some of our most eminent men. It is also understood that a considerable share of the newly-created credits here will be devoted to the same country, while engineering assistance will be rendered in improving the transportation situation there. Already some of the New York banks have established branches in Petrograd and others are known to be contemplating similar action. Some of the great Russian banks are also considering the advisability of establishing branches in New York.

So far as this country is concerned, our ability to enter the foreign banking field is somewhat hampered by the lack of young men suitably equipped for manning the foreign branches—a difficulty which several of the larger banks are attempting to remedy by instituting special courses of training to qualify men now in their service for such positions. This requires time and even after such courses of training are completed, the important element of actual experience in some foreign post remains to be supplied. This defect in the equipment of American banks for foreign service is being remedied as rapidly as circumstances permit, but considerable time must necessarily elapse before American banks, either in point of numbers or in volume of business, become of much importance in foreign lands.

Our experience in this respect at present conforms to a rather notable feature of American banking, namely, that most of its marked changes have come about through the pressure of necessity. Starting from the institution of chartered banking in this country, which was one of the developments of the Revolutionary epoch, we next made our greatest banking change during the Civil War, when the National banking system was instituted. Probably the Federal Reserve Banks owe their existence to the panic of 1907 and to some earlier experiences of like nature. Concurrently with the inauguration of the Federal Reserve System, foreign banking was authorized by law, though advantage of this has been slowly taken by the banks in general.

The situation brought about by the war, however,

has changed the apathetic attitude of our banks toward this form of banking development, and while a few years ago the proposal to extend American banking operations to a country so remote as Russia would have been considered as more or less chimerical, it is now regarded as a proper move by some of the larger banks.

THE FOOD PROBLEM.

It must be admitted that the "food problem" in the United States, so far as concerns the present moment, is the "Mrs. Harris" of current economic thought. In other words, today, there is no food problem, whatever the morrow may bring forth. Nevertheless, everybody is thinking, talking and writing about food and methods for increasing its production. The farmers, who actually produce the food, are too busy with their spring plowing to take much part in this more or less academic discussion which is carried on chiefly, by those who would be hard put to it were they asked to distinguish between a potato and a periwinkle. It is not denied that the demand on the world's food supply is extremely heavy, and likely to continue so for some time to come, and that every sane and proper effort to increase the supply should be put forth. Furthermore, it may become necessary not only to increase food production but to conserve the existing and future supply more carefully than heretofore. But for many of the frantic and fantastic proposals with these objects, in view there can be but scant approval. Land we have in plenty, great stretches of it still virgin to the plow; nor is there lack of capital for any agricultural operation promising a fair return. We do lack farm labor to some extent, and here the situation is rather apt to grow worse instead of better, since a considerable number of men will be attracted into the army or navy or brought into such service by "selective conscription", and the ranks of farm laborers still further drawn on by the industries concerned in making war materials. There appears no immediate remedy in this respect. Immigration into the country has been very light since the war began, and help from that source may not be counted on, although there have been proposals to import labor from the Orient to do temporary duty here.

While the practicability of most of the schemes for enlarging the food supply may well be questioned, there is no doubt that a few of them will bear the test of those actually engaged in farming. Idlers from the cities, and even men who have worked in the technical industries, were these latter available—do not afford a very sure assistance in swelling the agricultural output. The stimulus of profit will probably do more than all things else to induce the farmers of the United States to produce this year all the staple foods they can. Fortunately, this stimulus exists and requires at this time no artificial fillip.

SUMMER FREIGHT RATES

The Railway Commission held an informal meeting at Ottawa on April 20th after a deadlock had developed at the round table conference between the shippers and railwaymen held here last week.

The main question under discussion was as to whether the special domestic summer rates on general merchandise between Montreal and Toronto and Hamilton, which the railway did not propose to put into effect for the summer season 1917, should be maintained. It was decided that summer class rates between Montreal and Toronto on the basis of 42 cents first class, and between Montreal and Hamilton on the basis of 44 cents first class, will not go into effect on May 1st.

The proposed new import tariffs, which were also discussed at the recent conference here, were dealt with. It was decided that the import rates on general merchandise from ship's side, Montreal to Toronto and Hamilton, should not exceed the domestic rates; tariffs to be effective April 28th, the said rates to be the maxima to intermediate points. It was also decided that so far as import class rates from Portland, St. John and West St. John to Montreal were concerned, they should not exceed the first class basis of 46 cents per 100 pounds.

MELTING POT OF THE WORLD.

That's Argentina. Of her six million people more than half are foreign born. During her history she has received over a million Italian immigrants, a half million Spaniards, a sixth of a million French, and a quarter million in other nationalities. Buenos Aires is the most cosmopolitan city in the world—not even excepting New York.—World Outlook.