Banking and Business Affairs in the U.S.

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Effect of the Submarine "Blockade" on American Trade.

Germany's attempt to shut Great Britain off from trade with the outside world, if successful, would undoubtedly have an important influence on the overseas trade of the United States. Our foreign commerce at present is made up more largely than ever before of trade with the Entente Allies. Aside, therefore, from the abstract question of protecting our right to trade with the outside world, the submarine "blockade" becomes a matter of grave importance from the purely commercial standpoint. How the matter will ultimately be worked out, may, for the present at least, be left to the authorities. Efforts to institute a comparison between the blockade instituted by Great Britain against certain neutral countries and the German submarine "blockade" have not received much sympathy here, because, as a matter of fact, our trade with the neutral countries embraced in the British blockade has not suffered, but as a whole has markedly increased. This fact has been pointed out in official communications between London and Washington. But the most striking difference, of course, between these two attempts to curtail communication lies in the manner of their application, the British blockade being consistent with humane principles and the German methods at variance with such principles. The contention that, under the circumstances, Germany can adopt no other course is one not recognized as valid here, because that was a consideration that should have been weighed before the world was plunged into war. That measures will be taken to maintain the rights of our ships to sail the seas, irrespective of the submarine threats, seems certain. While a suspension of marine communication with Europe would certainly result in a considerable slackening of industry here, and would be hurtful to our industrial and commercial interests, the self-sustaining character of our resources is such as to make this a matter of comparative indifference. But what is not a matter of indifference, but of vital concern, is the right of our ships to sail the seas without unwarratned hindrances.

Diffusion of Banking Resources.

In reviewing the official statements of the National banks of the country, as of December 27th, which is the latest compilation of the returns made by these institutions, the Comptroller of the Currency points out the following facts:

"The resources of the country banks on December 27, 1916, amounted to approximately seven billion dollars, showing that the country banks now hold more than the total resources of all the National banks, including the vast accumulations in all the Reserve and Central Reserve Cities, plus the country banks, as late as the year 1904.

"Since May 1, 1916, the country banks have increased their resources 759 million dollars, or twelve per cent. In the same period the resources of National banks in the Central Reserve Cities declined seventy-seven million dollars, or two per cent, and the resources of the National banks in other Reserve Cities increased 455 million dollars, or eleven per cent."

A decline of some 186 million dollars in the resources of these banks between November 17th and December 27th, the Comptroller states, was "wholly due to a shrinking in the resources of the National banks in the Central Reserve and other Reserve Cities."

These figures indicate that the process of denuding the large cities of the legal reserves they were carrying for other banks is being effectively carried out by the operations of the Federal Reserve Law. By November of this year—unless the law is amended as proposed to move forward the date—all of the reserves above referred to will be transferred in accordance with the law. Trade movements and the convenience of the so-called "country banks" will cause them to continue to keep large balances in the chief financial centres as heretofore. The reserves which the law requires will be held, of course, in accordance with the law; but beyond this, the banks will doubtless continue to keep their funds at the points considered most advantageous. The fact that they can get interest on their balances with city correspondents will still tend, in addition to the factors above mentioned, toward a considerable accummulation at the financial centres. As to just what the effect of this wider distribution of banking funds will have upon the banks and the country in general, time alone will show. At present, the banks in the large cities seem never to have been so abundantly supplied with funds; but it is realized that were it not for the abnormal conditions brought about by the war, their coffers might not have been so well filled. The real effect of the transfer of banking reserves cannot be fully measured until normal conditions are restored. Perhaps in the long run it will be found that the expert handling of banking assets counts for more than the mere location of legal reserves, which constitute an inconsequential part of the country's banking fund.

Consumption of Luxuries.

Last year's importation of articles classed as luxuries was more than $100,000,000 greater in value than for the preceding year, being $188,182,000 for 1915 and $298,472,000 for 1916. This increased consumption of luxuries is attributed to the growth of prosperity. The articles defined as imported luxuries comprise art works, furs, ivory, precious stones, silks and liquors. Should the country become involved in war with enforced economies a lessened consumption of such articles would follow, and there would be a still more marked reduction in the use of luxurious articles produced at home. Such economy will not be a hardship, but the reverse, although while the change to a simpler mode of life is taking place some inconveniences to manufacturers and dealers may be experienced.

The expenditure of national and individual incomes can not be confined to the more necessitous things of life except under the stress of war or of extreme financial depression. One of war's stern lessons may prove the superfluity of much of current expenditures. The value of this lesson, while very great, is somewhat diminished by the fact that the course which expenditure takes in time of war is hardly less extravagant, in a sense, than that incurred in buying the class of articles enumerated above. Military and naval equipments, under the existing stage of international civilization, seem essential to the preservation of national existence. Were it practicable to get along without such vast outlays for these purposes, the world would have more to spend on food, clothing and shelter, while even what are now termed luxuries might be indulged in without seriously curtailing one's income.

That the people of the United States have added so largely to their expenditures for things not really needed while other nations have been compelled to shorten their consumption of ordinary food supplies, seems anomalous, to say the least. It could hardly have been different, with so large a part of the world engaged in carrying on war while the United States remained at peace. It is the tendency in the economic world for things so to move in the long run as to restore the equilibrium. Possibly a swing of the pendulum in the opposite direction may not be long delayed. If anywhere there may have been a tendency on the part of the outside world to envy the recent "prosperity" of the United States, or a disposition here to exult over it, the course of events in the near future may result in some modification of both these tendencies.

Fears of Foreign Bank Depositors.

When the postal savings bank was established in this country, the chief argument put forth in its behalf was that there were many people of foreign birth, accustomed to such institutions in their native land, who would not trust their savings to any other banks except those backed by the responsibility of the Government. Most of the ordinary citizens of the country were fairly well contented with the banks chartered by State or National authority. But the advocates of the postal savings bank had their way, and Congress sanctioned the creation of such an institution. It has had a reasonably prosperous career, the total of deposits as of June 30th last being $80,600,000, belonging to some 600,000 depositors. It is a somewhat remarkable fact, however, that in the fact of the recent international situation, certain citizens of foreign-birth were the first to take fright and to begin withdrawing their funds from the branches of the postal savings banks. So great was their fear that it required a pledge from the President of the United States to assure them that it was no part of the Government's policy to confiscate these deposits belonging to the subjects of foreign States, or to take any property in defiance of recognized laws and international understandings.

So far as the ordinary savings banks are concerned, they appear to have been under no exceptional demands. As a matter of fact, although these banks are not generally members of the Federal Reserve Banking System, they are virtually able to secure all the currency they may need through other banks. The Federal Reserve Banks can issue to members of the system an amount of fresh circulation that, for practical purposes, is without limit; that is, all that can conceivably be needed. The danger that once existed in the case of perfectly solvent banks, that they might be compelled to suspend for want of power for converting their securities temporarily into a hand-to-hand circulating medium, no longer exists. The time has therefore gone by when a prudently-managed bank, whose assets are good, need suspend for lack of currency. This fact is of great importance as tending to strengthen the country's banking system, for under former conditions the suspension of banks of even insignificant size had a bad effect which in times of financial tension communicated itself to other banks and greatly aggravated the situation.

Losses to the Railways From Idle Cars.

While of late the country has experienced a marked shortage of railway cars, statistics compiled by the American Railway Association show that for the ten-year term ending with December last, the railroads lost $1,057,957,977 on account of an excess of freight cars, for which there was no demand from shippers, as against a loss of $78,858,290 from a lack of cars with which to meet demands from shippers. Demand for shipping facilities is not constant, there being sudden spurts of activity and almost equally sudden relapses into dull seasons. The railroads must be reasonably well prepared to meet the active seasons by an adequate investment in car equipment, but they cannot reduce the number of cars in existence when business falls off. The railroads have by no means been insensible to the growing demands upon them, for in the ten years referred to they have increased the actual number of cars from 1,840,000 to 2,518,855, and have replaced many old cars with others of greater carrying capacity. If cars that are now subject to idleness during slack seasons could be temporarily employed, even in a less gainful way than in better times, the railroads would not be subject to the losses they now suffer through enforced idleness of a considerable percentage of their equipment.

New Capital Issues.

New financing on an important scale marked the month of January, the total of domestic issues and foreign loans for the month being $447,582,400, an increase of $254,806,200 compared with January, 1916. Of this total $265,000,000 consisted of loans to foreign governments. Railroad issues show only a nominal increase, the time not having yet arrived for the railways to embark upon an extension in construction and equipment. The fact that foreign loans constituted about sixty per cent. of the total is of some significance, though it by no means indicates that such loans are permanently to occupy so large a share in American financing. The temporary character of much of the present slender railway financing is shown by the fact that approximately one-half of it is in the form of notes. This is partially explained though by the comparative ease in the short-loan market. That new issues of securities should show a decided increase was to be expected as a result of the long period of industrial and railway activity, a condition strongly demanding extension of plants and equipments. Returns which capital is now receiving have also favored the movement. It has been estimated that industrial dividends for the month of February this year will largely exceed those of the same month of 1916, the increase to a considerable extent coming from new business growing out of the war, but also extending quite generally to other lines.

FIRE WASTE ON FARMS.

The Insurance Department of Minnesota in a recent bulletin listed the following causes for the fire waste on farms:

Absence of fire-fighting apparatus.

Absence of lightning rods.

Defective flues and stove-pipes, and stoves and stove-pipes too near wood.

Carelessness with matches and the use of the ordinary parlor match.

Smoking in barns and out-buildings.

Careless use of lanterns and lamps.

The use of glass lamps instead of metal.

Carelessness with gasoline; also with kerosene, which is often used in starting fires.

The great amount of frame consturction.

The use of wooden barrels for ashes.