

# Banking and Business Affairs in the U. S.

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If doubts were entertained by anybody regarding the success of the Liberty Loan they have now been dissipated, for the loan has certainly been largely oversubscribed. The popular nature of the loan is indicated by the fact that over 3,000,000 people participated in it. This really shows that there exists here a determination to push ahead with our part in the war. We are not in the habit of making loans in this way, and some of the shrewdest bankers of the country were not without misgivings as to the complete success of the plan. They were mistaken, but their doubts helped in spurring the efforts to make the loan popular. The educational work done in this campaign will prove of great value in placing subsequent issues.

It is notable that subscription for more than one-half the required total came from the New York Federal Reserve District. In fact, the New York banks alone are credited with \$929,963,000 of subscriptions. But, of course, this does not imply that any such large amounts were taken by the banks themselves, for many thousands of subscriptions of firms, corporations, and individuals were made through their banks, and the totals were credited in the reports of these institutions. In subsequent Government financing the number of those who offer their dollars to the Treasury may be expected to increase, and the fact that some 3,000,000 Americans, heretofore largely inexperienced in making subscriptions to loans, have come forward with financial help, gives ample warrant for belief that the Allied cause will not lack for our full financial support.

While all the various ranks of business have energetically contributed to the gratifying result attained, the banks quite naturally assumed leadership. The Federal Reserve Banks of each of the twelve districts acted as common rallying points for the members and for other banks and the general business interests.

All sections of the country patriotically bore their share, completely establishing the fact that the war has the undivided support of the American people.

## FEDERAL RESERVE ACT SUSTAINED.

For the first time since the enactment of the Federal Reserve Act was passed in December, 1913, that measure has come before the Supreme Court of the United States to determine the legality of one of its provisions. The case involved the right of National banks to exercise the functions of a trust company, a right conferred by the Federal Reserve Act. The validity of this feature of the law had been challenged in Illinois and Michigan, and the Supreme Courts of those States had decided against the exercise of trust company powers by National banks located in those States. Now the Supreme Court of the United States reverses this decision, holding that the National banks may perform the services heretofore confined to trust companies.

This decision is one of some importance, since it affects the right of about 7,000 National banks to extend their business to include trust company functions. As those who have observed banking developments in this country well know, the tendency for some time has been toward a concentration into a single type of institution of the powers heretofore belonging to special classes of institutions only. Long ago the State banks were deprived of the privilege of issuing their circulating notes and the power granted exclusively to the National banks. Now the latter share this function with the Federal Reserve Banks, which in time may become the sole note-issuing authorities. While the banks have been shorn to this extent of their note-issuing powers, they have gained privileges in other respects. In the first place, the right of a National bank to do a savings business has secured legislative recognition; and, as seen, the National banks have been given trust company powers. Their right to make loans on real estate has also been acknowledged.

This extension of the powers of the National banks was the corollary of a tendency which has been witnessed in a number of States for some years, namely, to combine in a single type of institution chartered by the State all the operations of banking save that of issuing circulating notes. As the note-issuing privilege and the other special functions of the National banks have lost much if not all their former advantage, it was essential that these institutions should be placed on an equality with the trust companies chartered by the States if their profits were to be maintained and their existence preserved.

One of the recent notable developments of American banking consists in an increased relation to banking operations in other countries. This alteration has come upon the country rather suddenly, and found the American bankers not well prepared for it. True enough, we have begun a cautious expansion of our banking into other countries, but we have hardly realized as yet the extent to which foreign banks have come to depend upon New York as a money centre and the vast and hurried movement of banks all over the world to come into closer touch with our chief money market. American banking has been for a long time intensely local, and it will require some years to break with past practices and traditions. But this must be done if the country is to assume the financial leadership which the exigencies of the situation demand.

Just now financial and diplomatic pilgrimages are making their way to New York and Washington from various quarters of the earth. Great Britain has provided for permanent representation here, while special missions are on their way from Japan and Russia, and Italian and Belgian missions are already here.

The freedom which the banks would have in conferring with these respective missions in ordinary times is somewhat restricted by the policy of the Government to insist on a concerted programme of financial problems of magnitude. The situation is new and strange to the majority of the American banks. They are quickly adapting themselves to the changed conditions, however, and it may be expected that in the near future they will creditably meet the extraordinary demands made upon them.

## CONFIDENCE IN THE FUTURE.

In dealing with present American business conditions it would be extremely short-sighted not to take note of the strong and growing feeling of confidence engendered here by the union of nations like France, Great Britain and the United States in a common purpose. It is no reflection upon the other faithful members of the allied group to say that whatever these three great nations resolve upon will be carried through, regardless of the cost in lives or money, or the length of time required. Whatever doubts may be entertained as to the staying powers of other nations engaged in this mighty contest, the countries named possess qualities of unlimited endurance. They will never give up until the objects for which they entered the war are fully attained. In the council-chambers of finance and diplomacy questions may arise as to what this Power or that may do under certain contingencies, but no such question ever comes up regarding the three great Powers named above. They are in the fight to win, and they mean to stay in until the end. That is the strong feature of the international situation, and it has an overwhelming effect in sustaining confidence in the business world. The tremendous military and economic resources of any one, or even of two, of the Entente Powers might in time have been permanently impaired by Germany, but when nations like the three named are linked together in a common aim, they are unconquerable by any power on earth. And if after the war ends enormous and crushing debts are incurred in defense of human liberty, they will be borne, because the burden will be adjusted according to the ability of the respective nations to bear it.

This is the most heartening feature in the present situation, as viewed by leading bankers and business men. Germany may hold out for some time, but in the end it must give way to superior man power and to unmatched economic resources.

Our markets here have always been exceedingly sensitive to adverse influences, but at present there is nothing to indicate lack of absolute confidence in the final and complete triumph of the Allied Powers.

Reports from the principal industrial and commercial centres show a continuance of active business. Crop prospects, especially with reference to wheat, are better than they were earlier in the season. In the stock market there has been some irregularity, owing to the predominating influence of the Liberty Loan. Bank clearings for the week of June 16 were \$6,164,527,925, compared with \$5,772,184,721 for the week preceding and \$4,798,075, 918 for the corresponding week of last year. Cotton has gone to figures above any reported since 1872, while steel has made further advances above those already reported. Commercial failures show a smaller volume of indebtedness than for any preceding month of the current

year, and are the lightest for any May since 1910. Call loans in New York advanced recently as high as six per cent, the rise being attributed partially to the demand for bank credits to cover Liberty Loan subscriptions. Railroad earnings are showing a large increase in gross but only a slight gain in net. Unfilled orders of the United States Steel Corporation at the end of May were 11,886,591 tons, against 12,183,083 tons at the end of April, which is not interpreted as a falling off in business, but represents a decline in booking private contracts for the reason that heavy Government orders must be given precedence. Anthracite coal shipments from the Wilkesbarre region were the largest ever reported, with the exception of the month of March of the present year. Lake Superior iron ore shipments for May were twenty-five per cent. below those of May a year ago, the falling off being attributed to serious ice blockades. Live stock, provisions, textiles, metals and oils reached new high price levels on June 1. May building operations represented a decrease of 14.8 per cent. in number and 34.8 per cent. in value compared with the same month of 1917. Cotton consumption for May reached a new high level, the demand for army purposes constituting a strong factor.

Such are a few of the outstanding indicators of business. They reveal no general recession of trade, but on the contrary point to continued activity. We are now on the verge of a season when customary mid-summer dullness might be expected, but the artificial demand for supplies and services of all sorts will reverse ordinary conditions. We are experiencing our difficulties with food supplies and prices, and no one can exactly determine how the regulations finally adopted may affect production and exchange. The Government has already taken steps, also, to commandeer certain shipyards in order to hasten its programme of construction. We are in for an abnormal season, but that it will be one of activity, and most likely of unusual prosperity, seems to be the prevailing view at the moment.

## PATRIOTISM.

Patriotism has been variously defined, and the characterization of Dr. Johnson is well known. Perhaps a concrete example will be the best definition. The New York Annalist of recent date contains a most illuminative and appreciative article as to patriotism, headed: "Gives up Million a Year to Serve Nation." "Mr. H. P. Davison of J. P. Morgan & Co. responds promptly to call from the president to head the American Red Cross, and will raise \$100,000,000 with which to salvage the human wrecks of European battlefields."

A brief epitome is given of Mr. Davison's career, so eminently successful because of marked and constructive ability.

Mr. Davison passed the half-century mark on the thirteenth of this month. He was born on Friday, the thirteenth, which shows how a man may be handicapped at birth. He is a firm believer in insurance for young men and recently applied for a second million.

"He is a young man still despite his responsibilities. One reason, perhaps, is that he has never stayed long enough in one place to become 'settled' in his ways. Born in Troy, N. Y., he was sent to South Williams-town in the Berkshires to the famous old academy which sent such a large proportion of its students into the professions. He never went to college, though he has received several honorary degrees. He started his banking career in Hartford, becoming teller of the Astor Place National Bank in New York when he was twenty-four. He left there to become assistant cashier of the Liberty National Bank; was promoted successively to cashier, Vice-President, and President, taking the latter position at the age of thirty-two. He had attracted the attention of George F. Baker, Chairman of the First National, who took him from the Liberty to make him a Vice-President of the latter institution.

"The late J. P. Morgan wanted a new partner and Mr. Baker suggested Mr. Davison. There he soon became Mr. Morgan's chief aid. In the last fifteen years he has been steadily growing in strength and influence, until he ranks today as one of the half dozen foremost bankers in the United States. He first came into national prominence through his work under Mr. Morgan in stemming the ravages of the panic of 1907. Since then he has taken a leading part in every important financial undertaking. His influence has steadily widened. His biggest job of all is still ahead of him, he will have that \$100,000,000 for the Red Cross before the money is needed. That is Davison's way."