

# Banking and Business Affairs in the U. S.

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One of the curious developments of the war has been the apparent indifference with which great business combinations are now regarded. Even the Government, once jealously on the alert for alleged trusts, now finds an aggregation of great industrial concerns useful for its own purposes. In fact, the assertion has been made that the Government itself has become a conspicuous violator of the Sherman Anti-Trust Law. Since the King can do no wrong, there exists no legal authority for bringing the Government to book in the matter. If the plea of necessity should be urged in extenuation of what has been done, the Government might be reminded that many less eminent offenders have ineffectually put forth the same plea from time immemorial.

The Government, in what it has done, has manifestly acted properly and in the public interest.

Possibly the experience growing out of the war may impel the Government to take a more lenient view of industrial combinations than it has heretofore shown. In fact, the modification of the Clayton Law referring to interlocking directorates already indicates a more tolerant attitude, while a bill providing for a limited form of industrial combinations for foreign trade purposes has passed the House of Representatives.

Another feature of the war as related to business and the Government consists of the increased number of commissions and of officials clothed with large regulating powers. It is a familiar fact that such powers, called into operation under the stress of war, are liable to persist to a certain extent, and no one would be surprised if the future witnesses a marked growth in Governmental regulation of business.

The powers exercised by these Commissions and officials are regarded with some jealousy by Congress which does not wish to delegate its legislative functions. But it is indisputable that such an extension of Governmental activities as is indicated above constitutes a notable feature of the present situation in this country.

## A SHORTAGE OF LABOR.

The exceptional business activity and the demand for workmen in many lines of constructive enterprise which the Government has undertaken, combined with the taking of so many men from their ordinary employments for military service, have brought about an inevitable shortage of labor. As it is in times of greatest demand for labor that unrest occurs, rumors of strikes were not unexpected, and quite recently renewed talk has been heard of trouble on the railways and among the handlers of freight at some ocean shipping points. The strong hand of the Government, in the present emergency, may be relied on to prevent these threaten strikes from becoming actual. But of course the Government possesses no power which will enable it at once to multiply the country's laboring forces. A shortage of labor in any particular industry can be remedied by taking persons from some other lines and using their services in those industries where the shortage is most acute. A general deficiency in the supply of workers can be remedied only by the importation of labor from other countries. This latter remedy is at present impracticable. The European countries can not spare any workmen, and no help can come from Orient for obvious reasons.

Nor is the alternative — the diversion of labor from one line of industry to another — easy to apply. This for the reason that in farming and in all the skilled industrial occupations the same complaint of lack of workers is heard.

If the war continues much longer, however, this is the remedy that will have to be invoked, possibly under compulsion. That is, labor must be taken from those industries which are not essential and utilized in those which are. This fact is one which the people of this country do not yet fully recognize, but the logic of events will finally bring it home to them.

## GOVERNMENT TAKES OVER SHIPS.

On October 15th the United States Shipping Board took over all cargo ships of more than 2,500 tons deadweight capacity and all passenger steamers of not less than 2,500 tons gross register. Steamers that are operating for their owners in regular trade are to be continued in such service until further instructions, while in the case of ships chartered to others, owners must apply to the Shipping Board for advice as to the future disposition of such vessels.

This action will undoubtedly aid in affording the most efficient service in forwarding men and supplies to Europe and also in the handling of some local transportation problems. It represents the gradual carrying into effect of a part of the great military programme.

The total of the country's shipping tonnage is, of course, not increased by this step, although the effect will be to add a vast amount of tonnage heretofore otherwise employed, to the special purposes of the Government.

To an extent the new policy will help in supplying the relative shortage of ocean tonnage which can not be measurably relieved until the many ships now being built are ready for the water. No magical process exists for supplying this deficiency, though skill, energy and capital under the whip of necessity, are attacking the problem with vigor. Gradually this problem has resolved itself into a contest between the submarine and the combined existing shipping of the leading maritime nations, and the ability of these nations to construct new ships faster than they can be destroyed. It is a struggle between constructive and destructive forces on a vast scale. While the nations supporting the forces of construction overwhelmingly outnumber those engaged in destructive work, the fact that they barely find themselves equal to the contest illustrates how much easier it is to destroy than it is to construct. Nevertheless, in attempting to put the world's shipping out of business the submarine has undertaken too much.

## LIBERTY LOAN CAMPAIGN.

Progress in placing the new loan of from \$3,000,000,000 to \$5,000,000,000 has not been quite so rapid as was expected, and the various Federal Reserve Districts have not yet reported anything like the respective sums allotted to them for subscriptions. It is probable however, that many large subscribers are delaying sending in their subscriptions in the belief that this will stimulate others to do their best in making up the amount needed. It is known, also, that many banks have taken large subscriptions from their depositors which are not yet reported. The next week or so will no doubt see a large increase in subscriptions from banks and individuals of great wealth.

It will be gratifying to the Government if the loan is widely distributed among a multitude of small subscribers, whose enthusiasm in the war will thus be shown in the most practical manner.

Banks are aiding their depositors liberally by making loans, many of them advertising their readiness to make such advances. This is an innovation for some banks, which have never felt disposed to advise the public of their willingness to make loans. But the war is breaking down many well-established banking traditions, and many conservative institutions are now doing things which only a few years ago would have been looked on with extreme disfavor. It still requires some courage for a bank to rediscount, and to report "bills rediscounted" as among the liabilities in the published balance-sheet. That this tradition of banking here will be scrapped in the near future admits of little doubt. Clearly a good many banks can meet the very heavy demands on them in no other way than by resorting to the use of the large gold fund collected in the Federal Reserve Banks.

## THE COUNTRY'S NEW FINANCIAL RESPONSIBILITIES.

In measuring the degree of efficiency shown by the banks of this country in discharging the financial responsibilities devolving upon them since the beginning of the war, the magnitude of these responsibilities must be taken into account. For this great task of international financing the American banks were not well equipped. At New York and some other centres there were a few great banks with more or less experience in the foreign financial field. But few of them had made large permanent investments abroad, though some had made temporary loans to Europe and other parts of the world. The National banks of the country were without branches and there was hardly any banking organization operating in the foreign financial field which was broadly representative of the spirit of American banking. The banking system had been for years composed of nu-

merous scattered banking units not co-ordinated for any united policy which might be desirable or essential.

In the face of these difficulties, the banks of the country were called on suddenly to perform unheard-of prodigies of finance. They met each one of these difficult situations with courage and with complete success. Gradually, under the Federal Reserve System, some of the difficulties mentioned have disappeared, and the banks of the United States have been placed in a position where they may obtain a fair share of the world's banking.

The banks at present are somewhat restricted in fulfilling their new duties by the immense demands made upon them by the Government. In time these restrictions will disappear and the banks of the country will have a fairer field in which to operate.

## THE BUSINESS SITUATION.

Depression in the stock market continues, and there is some feeling that the reaction which was naturally expected after the long era of rising prices which followed the large European war orders has arrived. The high prices which many manufacturers could formerly obtain have been cut down, and in many instances they may sell only to the United States Government at a fixed price. Naturally, there are other factors operating to depress the price of stocks, the chief one being the heavy demand of the Government for funds. Banks must conserve their credits to meet these demands, which have precedence of all others.

October crop reports contain nothing discouraging, although the condition of corn was materially below the report of September 1st. Still, the crop is far above that of last year, and of previous years.

Business generally is good except in those lines where there is lack of transportation and in others where delay in the adoption of a price-fixing policy has resulted in some uncertainty.

Bank clearings for the week were below those of last week and for the same week of 1916. Business failures were reduced in number below those of last week and for the like week of last year.

The weather of late has been cold, and has tended to a seasonal stimulation of trade.

## SHIPS UNDER U. S. CONTROL.

Announcement of the general method by which the American merchant marine is to be requisitioned on October 15 by the Government was made at Washington on Friday, by Bainbridge Colby, of the Shipping Board in a notice sent to shipowners.

The requisition will include at first only cargo ships of more than 2,500 tons deadweight capacity and passenger vessels of more than 2,500 gross tons register. The limit probably will be lowered soon to include craft of more than 1,500 tons.

The notification reads:

"The United States Shipping Board hereby gives notice to all owners of ships registered and enrolled under the laws of the United States that the requisition of all American steamers described below, and of which previous announcement has been made, will become operative and effective on October 15, 1917, at noon.

"1—The ships affected by said requisition and included therein are: (a) all cargo ships able to carry not less than 2,500 tons total deadweight, including bunkers, water and stores; (b) all passenger steamers of not less than 2,500 tons gross register.

"2—As to all steamers in or bound to American ports on October 15, 1917, requisition becomes effective after discharge of inward cargo and ship is put in ordinary good condition. As to steamers which have started to load their outward cargo, requisition becomes effective at noon on October 15, 1917, and accounts as to hire and expenses will be adjusted from time steamer begins to load.

"3—Steamers trading to and from American ports that have sailed on their voyage prior to October 15, at noon, are to complete that voyage as promptly as possible and report for requisitioning.

"4—Steamers that are occupied in trades between foreign ports shall be requisitioned as of October 15, at noon, and accounts adjusted accordingly.

"5—(a) Owners whose steamers are operating in their regular trades are continuing the operation of their steamers for the account of the Government as they have been doing for themselves, until they receive further instructions; (b) Owners whose steamers are chartered to others, will apply to the Shipping Board for instructions regarding the future employment of said steamers."