

## Banking and Business Affairs in the U.S.

By ELMER H. YOUNGMAN, Editor Bankers' Magazine, New York.

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Business in the United States will be strongly stimulated by the pending action of the Government to provide at once for flinging into the scales of war \$7,000,000,000. This must result in a tremendous increase in the demand for labor and materials and promote activity in practically all lines of trade. Nor will the fact that a large part of this sum is to be lent to our Allies alter the situation much, for these loans will be employed to a great extent in the purchase of supplies here which those governments need to use in carrying on the war.

Production of the staple articles of food and of materials required for war is therefore to be pushed to the utmost limit, and the result must be favorable to a high record in business.

No small factor in the situation is the outburst of enthusiasm with which the declaration of war has been universally greeted. Whatever impatience may have been felt here or elsewhere over our tardiness in entering the conflict, it is now seen that we are entering it with a zest and unanimity which might not have obtained at an earlier date.

### THE FOOD PROBLEM AND THE WAR.

It is now recognized by careful observers that the most effectual aid that can be given by this country in the war against Germany is by increasing the food output rather than by gathering together a large military force. It is pointed out that the calling of men to the colors will have a tendency to lessen the supply of agricultural labor, which is already deficient. This tendency may be counteracted, however, by a careful utilization of available labor, and especially by more energetic effort to bring the farms of the country up to a higher stage of production.

As is well known, the production of wheat and some other crops in the United States, per acre, falls far short of that in some of the European countries. Fortunately, the acreage of wheat in several of the Western States is much greater than usual this year. The entrance into war of one of the greatest food producing countries of the world must further accentuate the existing food shortage and make for higher prices. Extraordinary efforts are being made already by governmental and individual agencies to offset this influence as far as possible. To stimulate production, facilitate distribution and to check the capacity of speculators are only some of the problems to be dealt with, while in the background there lurks the possibility of some sort of public control which will limit consumption in a way to check extravagance—an experience entirely novel to the present generation of Americans, but one whose beneficial effects can hardly be questioned under the circumstances.

Of course, besides the local food problem there is the matter of helping in provisioning the warring nations with which we are now virtually in alliance. This help has been rendered in the past, but it now becomes not merely a matter of commerce but practically a complementary part of a military programme, and there is no doubt that both in business and governmental circles this feature of the situation is receiving careful attention. The co-operation of the American navy should materially reduce the difficulty recently experienced in getting cargoes through safely to French and British ports.

### ACTIVITY IN PROMOTION OF NEW ENTERPRISES.

For March the charters filed for new company promotions with capital of \$100,000 and over represented a total capitalization of \$420,367,000, which is not only well above the recent monthly average, but compares with a total of \$261,677,000 for March of last year. This very large increase in the capitalization of new companies represents a tendency of the times to rush into fresh enterprises, and is not without a considerable element of danger. It represents chiefly industrial corporations, automobiles figuring largely in the total, all of them of a more or less speculative character. Some of the companies are huge, such sums as \$25,000,000, \$24,000,000 and \$10,000,000 representing single concerns.

It was hardly to be expected that the United States should pass through an area of almost unexampled prosperity without the activities of the speculator being attracted. The new companies which are being incorporated are by no means all of a speculative nature. Some of them represent the country's solid productive industries and the growth in capitalization

is only what might naturally be expected from the development of business enterprise.

The war has indisputably caused some speculation and may be expected to cause more before it ends. This could hardly have been otherwise under the extraordinary conditions. From now on speculation will likely be somewhat curtailed, since the money market may be expected to harden under the very heavy demands soon to be made upon it.

We are approaching a time when the call for funds from abroad is likely to be enormous, not only for Government loans, but for ordinary industrial and commercial purposes. In this field our bankers lack wide experience, and there is some danger that the public and some banks may be dazzled by the opportunities thus suddenly thrust upon them and rush into enterprises which if not unsound will certainly tie up the funds invested in them indefinitely. Undoubtedly the demand by the Government for funds for war purposes will for the time being curtail the supply of capital available for home and foreign purposes. So far as relates to the domestic situation this can only be looked on as favorable, for the tendency was toward a more rapid expansion than is compatible with safety. For a good while to come the Government will require large amounts of capital to be employed in military and kindred enterprises, so that ordinary manufacturing development must for the time be content to expand more slowly than has been the case for the past two or three years.

### BUSINESS AND THE WAR.

How our entrance into the war may affect business in the United States can only be conjectured, but the view as already expressed in previous letters will probably prove correct, namely, that there will be little adverse influence. As a matter of fact, the New York Stock Exchange on the first business day after the declaration of war did reflect some nervousness, stock undergoing quite marked declines, but there has not been anything remotely resembling a panic.

A favorable indication of present business conditions is found in the lessened number of commercial failures for the first quarter of 1917. The total was 3,937, against 5,387 for the first quarter of 1916 and 7,216 for the first quarter of 1915. March bank clearings were \$24,794,665,314, compared with \$21,630,495,636 in February and \$20,774,243,671 in March, 1916. Clearings for the week ended April 14th were \$5,805,792,548, against \$5,812,694,431 for the preceding week.

Steel production in March was 3,259,757 gross tons, which compares with 2,645,247 for February and 3,337,691 gross tons for March, 1916.

Dividend and interest disbursements for April are estimated at \$219,983,419, which is a record figure and compares with \$188,769,481 in the corresponding month of 1916.

There is, in fact, continued activity in all lines, and wherever hesitation is seen it is less due to the war than to high prices which tend to curtail buying for late deliveries.

### RAISING MONEY FOR WAR PURPOSES.

There is no doubt of the ability of the United States to raise the money required for carrying on the war to which the country has just committed itself. The amount needed will be large and heavy taxation as well as great bond issues will be necessary. Following the suggestion in the President's address to Congress, there will be a disposition to get a great share of the money by taxation. Special taxes of many kinds can be imposed, and the income tax increased both by making the sum levied heavier and by reducing the size of the incomes now wholly exempted from taxation. No one questions the ability of the country to provide the needed funds, but at the moment, complete unanimity of opinion does not exist as to the best way of doing so. For the speedy raising of funds the Government must necessarily resort to the sale of bonds or of short term certificates of indebtedness put out in anticipation of revenues. Taxes must be gathered in somewhat slowly and not fast enough to meet the large and sudden expenditures which large scale modern warfare demands.

Heretofore, in selling its obligations, the Government had the advantage which accrued from permitting the National banks to use the bonds as a basis for bank circulation.

National banks were also required to invest a certain portion of their capital in United States bonds, whether they issued circulating notes or not. These provisions of law are no longer applicable. For while the banks do continue to issue their circulating notes on bonds they already hold, fresh issues of bonds are not available for this purpose.

At first some confusion may arise before definite plans of war finance are adopted, but in the end the banking and treasury experts may be expected to devise a system that will work with smoothness and satisfaction in raising the very large sums which will shortly be needed.

Most of the bond issues heretofore have been taken by the banks and a few private investors of means. Now that vast sums must be raised some steps must be taken for bringing the public at large in as buyers. But little has been done thus far in the work of educating the general public along sound investment lines, and this is something which the banks and the bonds houses now realize that they must undertake.

### UNFAVORABLE WHEAT ESTIMATE.

On April 1st the Government forecast for winter wheat was for a crop of 430,000,000 bushels — the lowest in forty years, and comparing with an actual production of 481,744,000 bushels in 1916 and 673,947,000 in 1915. The present condition is only 86.2 per cent of the ten years average. Wheat immediately rose on receipt of this news to a new high record in price. Late reports of heavy rains make the future wheat outlook somewhat more favorable.

This shortage in the wheat crop will aggravate a rather serious food situation already existing. It may be counter-balanced to some extent by more favorable news from some of the other cereal crops, though these do not answer for food purposes so well as wheat. Dearer bread may be regarded as a certainty of the near future. A shortage in this important food staple could hardly have happened at a more inopportune time. However, so far as immediately concerns the United States, it will cause inconvenience rather than suffering. It will be regretted that the deficiency in the crop will considerably reduce the amount available for export.

### BUSINESS CHANGES WHICH THE WAR MAY BRING.

Not the least important feature of the war, so far as its purely commercial aspects are concerned, relates to the changes which may be brought about in the position of the Government and large business interests. At the very outset of the war the Government has called into counsel men of wide experience in business who have been able to make arrangements whereby important savings will be effected in the purchase of supplies, particularly of the metals which will be required. Many of the larger concerns have voluntarily offered their plants to the Government on the most favorable terms, while there has been shown a remarkable willingness to co-operate in securing supplies at reasonable figures. The railways, as well as the large industrial organizations, have been prompt and generous in offering their services to the Government.

Possibly this spirit of co-operation may tend toward a less rigid policy of Governmental regulation of the railways and of big business generally, for it may be shown that these aggregations not only have the disposition to be of great public service, but that from their very size and the efficiency of their organization, they are in a position to render assistance which smaller business units could not offer. The "profiteers," as they have been termed, will probably be found, as a rule, outside the larger industrial organizations. Few features of the initial stage of the war have been more gratifying than the promptness of the great business and financial interests of the country in announcing their readiness to lend every support possible to a victorious termination of the struggle, so far as that outcome may depend upon exertions to be put forth by the United States.

In a church in Ohio the minister gave out the hymn "I Love to Steal Away," etc. The regular leader of the choir being absent, the duty devolved upon a young fellow of a timid nature. He commenced, "I love to steal," and then broke down. Raising his voice a little higher, he then sang, "I love to steal." At length, after a desperate cough, he made a final demonstration and roared out "I love to steal." The effort was too much. Every one but the parson was laughing. He rose, and with the utmost gravity, said: "Seeing our brother's propensities, let us pray." — Chicago Herald.