

Banking and Business Affairs in the U. S.

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The vast sum which the country will be called on to provide on account of war expenditures is further indicated by the statement that in addition to the \$7,000,000,000 already appropriated at least \$3,000,000,000 more will be required from the present Congress, making the total for the first year \$10,000,000,000. With the cost of the war daily mounting, and with the growing demand for war loans by some of the Allied Powers, even this enormous sum may prove insufficient. Absolutely no disposition exists anywhere to balk at whatever expenditure may be necessary, although naturally the statesmen of the country do not wish lightly to involve the people in such a huge indebtedness. They will therefore give careful consideration to some of the items calling for large expenditures, weighing them not so much with regard to their cost as in respect of their efficacy. Even with the experience of Europe to guide us, it would be miraculous should we escape some costly blunders. It is not mere boasting to say that the American business man has an enviable reputation for cleverness; but his abilities have been employed and developed almost wholly in commercial and industrial undertakings. About the problems that arise in giving effect to the national power in its military policies he knows, from experience, very little. Of course, in so far as those problems are purely industrial and commercial he can grapple with them; but even here he is compelled to work under conditions and limitations with which he is unfamiliar. The freedom of action to which he has been accustomed in conducting its own enterprises is restricted by methods which to him seem slow and cumbersome. He is bound by red tape and impatient of delays that seem to him unnecessary.

Despite these limitations, many of which are necessary in the conduct of Government business, there is a commendable degree of co-operation between the Government and the productive industries of the country, and slowly the great machinery of the United States is being adjusted to the task before it.

SHIPBUILDING PROGRESS.

Tentative announcement was made this week of the initial plans for shipbuilding to help in replacing the loss of tonnage caused by operations of German submarines. It would seem from this statement that ships of wood and steel, are both to be utilized. The announcement, made to-day by General Goethals says:

"Contracts for 348 wood ships have been let, or agreed upon, with a tonnage capacity of 1,218,000 tons, at a cost, completed, of approximately \$174,000,000.

"In addition, I have under negotiation contracts for about 100 wood ships.

"Contracts for 77 steel ships have been let, or agreed upon, with a tonnage of 642,800 tons, at a cost of approximately \$101,660,356.

"There are thus provided 425 ships of all sorts, with an aggregate tonnage of 1,860,800, at a cost of approximately \$275,000,000, besides 100 more wood ships under negotiation. I shall continue to let all contracts for wood ships of design approved by the naval architect of the corporation which I can secure from responsible bidders.

"2. Construction of standardized ships:

"My main reliance for getting the greatest amount of the most serviceable tonnage in the shortest time will be on the construction of fabricated steel ships of standard patterns. For that purpose I shall use, to some extent, the existing yards.

"On Monday I shall offer contracts for the building of two plants (to be owned by the Government) for the construction of fabricated steel ships, to produce 400 ships of an aggregate tonnage capacity of 2,500,000 tons within the next eighteen to twenty-four months."

Next week General Goethals also will outline to the country's shipbuilders his plans for commandeering 1,500,000 tons of shipping under construction for private account. This will be taken over completely and its construction expedited by giving Government help.

Now that the preliminaries for the shipbuilding programme are settled, it is expected that in a very short time Congress will agree upon a plan for constructing a large air fleet, the proposal being to appropriate for this purpose at the outset some \$640,000,000.

THE EMBARGO ON EXPORTS.

One of the most important economic acts since the beginning of the war was the issue of a proclamation by President Wilson, on July 9th, barring certain exports except under Federal license. Railroads have placed embargoes, effective immediately, against all shipments of coal, coke, feed grain, flour and meal therefrom; fodder, meat and fats, fuel oils, kerosene, gasoline, pig iron, steel billets, ship plates (structural shapes), scrap iron and steel, ferromanganese, fertilizers, arms, ammunition, explosives consigned, re-consigned, to be re-consigned or intended for export, except when bill of lading is presented with Federal license number furnished or authorized by Expert Council at Washington and according to announcement of Department of Commerce, together with permit number authorized by the port delivery road. Arrangements have been made under which all shipments consigned to points in Canada can go forward as heretofore, special licenses covering same having been issued through the customs service.

This means that the Government at Washington can determine what shipments of these commodities are to be made, and where they are to go. The main purpose of this somewhat drastic measure is to stop the sending of foods and other supplies to neutral countries, thence to be re-exported to Germany. Rigorously enforced it will have the effect of helping very materially in shortening the war.

It is apparent, however, that this control over exports may somewhat curtail shipments to other neutral countries not suspected of supplying Germany. The aim of the measure is not only to shut off indirect exports to Germany, but to keep as much of the articles included in the embargo for ourselves—a measure which the situation of war fully sustains.

PRICES OF UNITED STATES

Some comment has been felt on the fact that the new United States Liberty Bonds have fallen slightly below par on the New York Stock Exchange. When the first of these quotations appeared, there was much talk of the lack of patriotism on the part of any one offering the bonds below par, and suggestions were even made of administering some sort of discipline to the persons supposed to be responsible for the act. But it is now seen that the bond market is something governed by business conditions rather than by sentiment. The amount of these bonds offered on the market below par would seem to stamp the matter as a business transaction purely.

The fact is that the bond situation, taken altogether, is not a favorable one. As an example of this the recent experience of the City of New York is a case in point. Its 4 1/2 per cent. bonds offered this week brought only 100.6, whereas in 1908 bonds bearing the same rate were placed at 104. Early in the present year bonds of this same class have sold at 111.

We already hear talk of a new issue of Government bonds early in September, although this report has been controlled by the Secretary of the Treasury. Nevertheless necessity for the sale of more bonds may arise by the middle of September or before. Should the first issue continue below par until the time of offering a new loan, it will probably become necessary to raise the rate above the 3 1/2 per cent. which the first installment of Liberty Bonds bore.

There are several other classes of United States bonds outstanding which are selling below par—the two per cents of 1930, recently quoted at 96 1/2; three per cents of 1918 at 99; Panama two per cents of 1936 and 1938 at 96. Some of these bonds bear the circulation privilege (that is, they may be used by the National banks as a basis of their note issues), and this advantage compensates for the slightly lower interest rate.

In view of the probable necessity of making large issues of Government bonds in the near future, it becomes an open question whether the Government might not gain by unifying all its outstanding obligations, thus recognizing conditions in the bond market as they exist at the present time.

GOOD CROP PROSPECTS.

Evidently the propaganda carried on for some time with so much zeal looking to the increase of agricultural production has had some effect, the

July crop report showing a possible maximum with respect to the maize output, while other grains also come up to high figures. Taken altogether, it is not unlikely that corn, oats and wheat will show a combined product of some 780,000,000 bushels above last year.

It will be recognized, of course, that the predictions in regard to corn remain to be verified, for later weather conditions may affect unfavorably the present gratifying outlook. Taking things as they are, however, there would seem no immediate danger of a serious food shortage in this country, and should the present favorable outlook be justified by the crops actually produced, we shall be in a position to help with food those who are fighting against German militarism. The tightening of restrictions on exports to neutrals will also virtually have the effect of largely increasing our food supplies for this purpose.

Hardly of less importance is the effect of large crops on business here. No single factor has such sentimental and actual influence on our trade. Observers of business conditions closely watch the fluctuations from week to week in the crop situation, fully realizing that the stimulus of good crops will extend through all branches of business, while poor crops will have a depressing effect. As preparations for the fall trade are already well advanced, it is pleasing to know that, so far as may be judged by present indications, the farmers of the country have done their full share to make the coming season one of exceptional prosperity.

AMERICAN BANK FOR FOREIGN TRADE.

Announcement was made this week of the organization in New York of the American Foreign Banking Corporation, which it is expected will begin business in September, the capital stock at the outset to be \$2,000,000.

This institution will be owned by other banks, and its object is to extend American banking into other countries. The Federal Reserve Act, which originally provided merely that National banks with a capital of \$1,000,000 and over might establish foreign branches, was amended so as to permit National banks to own stock in an institution specially organized for engaging in banking in other countries.

Although the bank starts with a small capital for an institution of this character, it is backed by a number of banks of the highest standing and should succeed. No doubt the capital will be increased as occasion requires.

The National City Bank of New York, with the affiliated International Banking Corporation, was the first to get into the field, under the original provision of the Federal Reserve Act, and already has some thirty branches in operation in various quarters of the world. The Mercantile Bank of the Americas, backed by important New York financial interests, is also operating extensively in certain parts of Latin America. One or two of the National banks, besides the National City Bank of New York, as well as two or three New York trust companies, have some foreign branches.

The American Foreign Banking Corporation represents the movement which aims to unite a number of banks for foreign service, and in some respects resembles the proposal for joint efforts in international trade on the part of the leading industrial concerns.

The new movement will be watched with interest here. While many American banks are reluctant themselves to enter the foreign field, they do not take readily to the suggestion of joint effort in this direction.

Bankers in New York say that the chief difficulty at present in extending our banking operations abroad consists in the inability to find men properly fitted for the services required.

COPPER DIVIDENDS MAKE RECORD.

In the first six months of 1917, forty-three copper companies paid \$87,987,530 in cash dividends bringing their total dividends to \$932,608,689 disbursed out of operating profits from the present properties of these companies.

The profits in the period are said to have been \$161,500,000, consumption is figured at 1,315,000,000 lbs., and the mine output 1,266,377,000 lbs. It is stated that the costs are much higher but the profits continue large and the outlook for the second half is called "most promising." The dividends paid by the companies establish a new high record.