

UNITED STATES BANKS AND FOREIGN BONDS

Banks Hold Securities, Other Than Domestic, Equal to 150 Per Cent. of Combined Capital and Surplus

The strong position of the United States whose entrance into the war has largely solved the financial problems of the Allies, is reflected in the statistics of the Federal Reserve Board.

During the calendar year 1916 exports of merchandise from the United States to other countries amounted to about \$5,480,900,000, while imports amounted to about \$2,391,700,000, leaving a net trade balance in favor of the United States of about \$3,089,200,000. Domestic trade, stimulated by unusual demands, has developed an activity keeping pace with the nation's foreign business, and the result of these conditions is reflected in the augmentation of bank resources, as illustrated by the fact that the deposits of all banks and trust companies in the United States showed an increase of \$4,344,000,000 during the year ended June 30, 1916.

Inflow of Gold.

Since the beginning of the European war the problem involved in the distribution of gold throughout the world, as far as the United States is concerned, has been completely reversed. It will be remembered that at the outbreak of the war the board was confronted with a serious situation in connection with European credits, which were maturing to the extent of about \$450,000,000, for which settlement was demanded. The liquidation of this indebtedness at first involved large shipments of gold, which were aided by a bankers' gold fund of \$100,000,000. But, owing to the growing volume of our exports to Europe, balances shortly began to appear in favor of this country. These balances have increased at an unprecedented rate. From the beginning of the war until the end of December, 1916, there has been a net movement of gold into the United States of approximately \$870,000,000, and it is estimated that during the same period about \$2,250,000,000 of securities of American origin, including obligations of the National Government, of states, of municipalities and of corporations, have been transferred from foreign to domestic ownership. During this period, it is estimated, about \$2,000,000,000 of securities issued by foreign governments and corporations have been absorbed and are now held by American financial institutions and investors.

Purchase of Foreign Loans.

Discussing the purchase by United States investors of desirable foreign loans in large amounts and the absorption by them of a vast volume of United States securities previously held abroad, the Federal Reserve Board, in its annual report, says that this "may be regarded as a healthy and normal operation in view of the circumstances that have existed since the war began":—

The board has deemed it necessary, nevertheless, to emphasize the importance of having the banks of the country keep themselves in a liquid condition. "Banks may, of course, perform an important function as temporary holders of securities during the process of their distribution to ultimate investors," says the board, "but in times when there are enormous international transactions such as we have witnessed during the past two years, the velocity and volume of our foreign trade, as far as it is based upon long-time credit, must be regulated by the power of absorption of the American investor. Whenever the absorbing power of the investment market shows signs of exhaustion it would, in the opinion of the board, be better that the volume of our exports be reduced, or that trade balances in our favor be settled by imports of gold, than that our banks, especially those of moderate size, should unduly extend their investments in foreign securities at a time when business prudence and conservatism suggest the necessity of their maintaining themselves in a particularly strong position. The board is not, however, unmindful that large accretions of gold may induce a rapid and dangerous expansion of our credit structure, and in outlining the policy of the Federal Reserve Banks and in considering amendments that, in its opinion, should be made to the Federal Reserve Act, the board has been impressed with its duty to keep in close touch with the situation and to control as far as possible conditions resulting from either an excessive inflow or outgo of gold.

"As illustrating our present situation, the board would point out that the capital and surplus of national and all

other banks in the United States on June 30, 1916, aggregated approximately \$4,044,000,000. These banks held on June 30, 1916, \$6,057,000,000 of long-time securities, principally bonds, exclusive of their holdings of about \$760,000,000 of United States government bonds, most of which are, or can be, used to secure circulation. In other words, the securities held by banks in the United States, exclusive of United States bonds, amount in the aggregate to 150 per cent. of their combined capital and surplus. When compared with their condition in June, 1914, before the outbreak of the European war, the aggregate capital and surplus of the banks have increased from \$3,846,500,000 to \$4,044,000,000, or 5.1 per cent.; while their investments in stocks and bonds other than United States bonds, including, of course, domestic securities and obligations of neutral as well as belligerent nations, have increased from \$4,761,500,000 to \$6,057,000,000, or 27.2 per cent. Stated more briefly, American banks' investments in securities other than United States bonds amounted in June, 1914, to 124 per cent. of their capital and surplus, and amount at the present time to 150 per cent."

The figures may be summarized as follows:—

	June, 1916.	June, 1914.	increase. Per cent.
Capital and surplus of all banks	\$4,044,000,000	\$3,846,500,000	5.1
United States government bonds, practically all with circulation privilege	760,000,000	823,000,000	*7.7
Other securities (domestic and foreign) owned	6,057,000,000	4,761,500,000	27.2
Ratio of securities (other than United States bonds) owned to paid-in capital and surplus (per cent.)	150	124	26

*Decrease.

MILITARY HOSPITAL COMMISSION'S WORK

More than twice as many disabled Canadian soldiers are now being cared for by the Military Hospitals Commission as were on the rolls at the beginning of the year.

A year ago the total was about 1,530. By December 2nd the figure had risen to 2,634. Then came a slight ebb, to 2,404 at Christmas. The tide has since then been flowing strongly, and high-water mark was reached on April 15th with a total of 5,677, in spite of the hundreds discharged in the meanwhile. This means that a large number of Canadians, wounded or otherwise invalidated months ago, have sufficiently recovered in England to be sent home for the completion of their cure in Canada. Nearly all the recent arrivals have been convalescents. The shipment of thousands of convalescents to Canada, and the return of an increasing percentage of cured men to the front, have reduced the number of Canadian invalids in England from 20,256 on October 20th, 1916, to 14,545 on March 30th, 1917. The latest total is made up thus: In Canadian hospitals, 8,926, showing a reduction of 261; in sanatoria for consumptives, 92, a reduction of 13; in British hospitals, 5,527, a reduction of 5,437.

CANADIAN STEEL ORDERS TO UNITED STATES

A New York despatch states that the Department of Railways and Canals, Ottawa, has placed a contract with the Dominion Bridge Company for 2,500 tons of structural steel for two piers and pier sheds to be constructed in the harbor of Halifax, N.S. The steel will be furnished by the Bethlehem Steel Company. Bids have also been asked on 3,000 tons of structural steel for pier sheds at Quebec, but no award has yet been announced.

Recent bids on the construction of the second unit of the new Eaton department store at Toronto, requiring 12,000 tons of steel, were so high that it was decided to postpone the placing of the contract at this time. It will be recalled that the contract for the first unit was placed in February at the Dominion Bridge Company, and that the steel was ordered from the Bethlehem Steel Company at \$100 per ton, f.o.b., Toronto, the highest price ever paid for steel to be used in the construction of a mercantile building. Eventually, five units will be built, requiring 50,000 to 60,000 tons of steel.