

# Banking and Business Affairs in the U. S.

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

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The chief event of the week in banking circles has been the Convention of the American Bankers' Association at Atlantic City, N. J. This meeting is ordinarily of importance as representing the annual convocation of an organization whose membership now includes some 17,000 banks, but this year special significance attended the meeting on account of the vast financial problems confronting the Government and the banks, and which formed the principal topic of discussion. Perhaps this statement is subject to some qualification, for beyond the subject of finance a matter of even graver moment occupied the earnest attention of the bankers, namely, the attitude of the American people toward the war itself. Whatever may be the spirit of the country at large — and as to that no doubt exists — the bankers, insofar as they were represented at this meeting, were a unit in favor of the most vigorous prosecution of the war until a complete victory is achieved. Toward this end the bankers pledged themselves to render the fullest co-operation, and they are even now engaged in an enthusiastic campaign for placing the second Liberty Loan, which calls for \$3,000,000,000.

In his notable address at this convention, the Secretary of the Treasury pointed out that if the country should now exhibit the same capacity for raising loans as was exhibited in the Civil War, we should be able to raise \$74,000,000,000.

## LARGE TRUST COMPANY JOINS FEDERAL RESERVE SYSTEM.

An event of considerable interest here was the announcement published today that the Guaranty Trust Company of New York had decided to join the Federal Reserve System. It will be recalled that while membership in this system is obligatory on the part of National banks, it is voluntary on the part of banks organized under the laws of the respective States. Some of the large trust companies in Chicago and St. Louis have become members, but in New York the trust companies, with few exceptions, have kept aloof from it. One large State bank, the Corn Exchange Bank of New York, has, however, been a member for some time.

The Guaranty Trust Company enjoys the distinction of being the largest trust company in the United States, having resources of some \$600,000,000, and its action will not only strengthen the Federal Reserve System, but will no doubt cause a number of other trust companies and State banks to imitate its example.

Up to the present, the number of State banks entering the Federal Reserve System has been trivial in comparison to the total number of such institutions in the country, but the feeling is growing that whatever may be the mere technical objections to the new system, these are far outweighed by the immense advantages that would accrue, under present circumstances, in having the banks of the country absolutely united in carrying out the tremendous financial programme which our entrance into the war entails.

As the National banking system grew out of the Civil War necessities, it now seems probable that the exigencies of the present war may result in a union of all the banks of the country in a single system.

Now that it is definitely known that the Government will present a plan for receiving deposits to the extent of several billion dollars, to be represented by war certificates in small denominations, and bearing four per cent interest, the banks are showing some concern to what effect this competition for savings deposits on the part of the Government may have on the savings banks and the savings departments which other classes of banks maintain. Some of the banks pay less than four per cent, and they do not know exactly how they may be affected by the offer of a slightly better rate by the Government.

Many conflicting elements enter into the problem. On the score of patriotism, the people will undoubtedly be moved to buy the war certificates, and on this ground, the banks must applaud their action.

On the score of safety, the Government also has some advantage, for while the American banks, as a rule, are safe beyond question, here and there may be found banks which do not offer that absolute degree of safety which the Government affords.

So far as the rate of interest is concerned, in order to keep from losing savings deposits, it may become necessary for the banks to raise their rate of interest to conform to that offered by the Government.

There are many considerations which will incline depositors in savings institutions not to withdraw

their deposits in order to buy war certificates. In the first place, the majority of the people are more accustomed to making savings deposits than they are to buying investment securities of any kind. Then, there are the personal relations established with the banks, which it will be hard to break. Furthermore, many people are accumulating savings in their local banks for a specific object, such as buying a home.

The banks are beginning to realize that there is a way to give the Government what it needs without lessening their savings deposits, namely by increasing the general saving propensity of the people, and to that end their efforts are now being devoted.

## MORE STRINGENT REGULATION OF GOLD EXPORTS.

On September 25th the Federal Reserve Board issued regulations governing the licensing of gold exports, under the terms of the President's proclamation of September 7th. Individuals, firms and corporations desiring to export coin, bullion or currency must file an application for license with the Federal Reserve Bank of the district. It will be the general policy of the Board not to authorize exportations unless the shipment is to be applied in some direct way to the settlement of merchandise importations for consumption in the United States, but in any case authorization will be granted only when deemed compatible with the public interest.

Until further notice the Board will approve all applications for the exportation of Canadian silver coin and currency without limit.

On September 27th the Federal Reserve Board announced that the earmarking of gold for foreign individuals, firms, corporations or governments would be considered as being tantamount to the exportation of gold, and in the public interest no more gold should be so earmarked without the consent of the Government.

In connection with the action of the Government in placing a limited embargo on the export of gold, it may be said that such a step is largely precautionary. There is no present scarcity of gold in the United States. On the contrary, the Federal Reserve Banks alone hold a much larger metallic stock than any of the great European banks, and there is also a very large amount of gold in the National and State banks as well as in general circulation either in the form of gold certificates or coin.

As a matter of fact, therefore, the country could without inconvenience stand a large outflow of gold, but whether such a drain would be advisable or not is the real question and the impelling force that has caused the Government to enforce a qualified embargo.

In a recent statement to the Allied Powers, President Wilson declared:

"To the last man, to the last dollar, the whole force of the United States is at your service."

Speaking at about the same time, Judge Gary, Chairman of the Board of the United States Steel Corporation, said:

"The United States can, within three or four years, furnish fifteen million men, well trained and fully equipped for battle; and she can within the same time, provide one hundred billion dollars without crippling her financial strength or interrupting her industrial progress. If necessary she will do both."

Statements like these, if made by men of less conservatism, might sound boastful, but President Wilson and Judge Gary are both men accustomed to weighing their words and speaking only with a due sense of responsibility.

The utterance of President Wilson accurately voices the Nation's purpose as determined by its governing authorities and overwhelmingly sustained by public opinion.

Judge Gary puts in a striking form the financial power of the country, and the resolution of the people to stop at no expenditure, either in men or money.

Between the carrying out of these purposes and their mere expression, there is of course a long and painful road to be travelled, but the first steps are being taken, and no one who understands the country's aims can question the intention to follow the road to its ending, whatever obstacles may be encountered.

The sentiment of the country has not rapidly crystallized, but the public temper is changing with a velocity that astonishes those who expected the United States to exhibit but a lukewarm interest in the war.

Enthusiasm for a vigorous prosecution of the conflict upon our part grows with each passing hour.

Justification for our cause has never been more clearly stated than in the address of the Secretary of the Treasury to the bankers, mentioned above. The long series of outrages which he described afforded just grounds for war if such grounds ever existed in the entire history of the world. But there is a deeper and more earnest feeling now animating the hearts of the people. It has found expression in this statement: "We owe a debt to France, and we pay our debts." That is the sentiment that burns with a holy fire in the breasts of the American soldier.

Strangely enough, not a single trace of resentment toward the Mother Country mingles with this feeling. The British Empire and the United States today are knit together by ties that succeeding centuries cannot break — a fact which will contribute one of the mightiest factors in the future history of the world.

Commercial and industrial activity continues unabated. During the coming weeks the banks will have their attention quite fully occupied in helping to place the Second Liberty Loan. Nobody pretends that these heavy demands for funds by the Government do not seriously affect many branches of business and finance. The general investment market is perceptibly affected, as the prices of many standard investments strikingly witness. Constructive enterprise has been halted, and many collateral lines of industry restricted in consequence.

The banks are called upon to supply their customers with funds with which to make loan subscriptions while meeting extraordinary demands for the requirements of industry and trade. It is realized by the most conservative bankers that a policy of great expansion of loans must be resorted to, and that their long-held aversion to rediscounting must give place to more liberality in this respect. Fortunately, the mechanism for rediscounting exists, and in the near future the banks of the country are going to make use of it.

Bank clearings for this week were slightly below last week's figures. Commercial failures were smaller than for the previous week. Business prospects the country over seem brighter, as is usual at this season of the year when the marketing of the grain crops gives a stimulus to business.

From the recent low level in the stock market there has been some rise, but this was halted by an advance in the rate on call loans to as high as seven per cent. The advance has led to special expedients for reducing the rate, and these measures have been effective.

Taking the financial, commercial and industrial situation as a whole, there has been no striking change in recent weeks. Transactions of immense importance take place almost daily, but they have thus far occasioned no disturbance.

Financial weakness in the United States has heretofore grown out of lack of co-operation. Now there is complete unity of purpose on the part of business, the banks and the people, which assures that our present financial strength will be maintained.

## ILLINOIS TRACTION PROSPEROUS.

The gross earnings of the Illinois Traction Co. for the eight months ended August 31st show an increase of 10.79 per cent., and the net earnings an increase of 4.16.

The August figures, now issued, show an increase in the gross earnings of 14.67 per cent., and in the net of 4.20 per cent., which is the first net increase for the month of August since 1913. Working expenses show an increase of over \$100,000 as compared with last year's and over \$200,000 as compared with the average of the previous three. Despite this heavy increase in expenses, the net for the eight months is the largest for more than five years.

Comparisons for the eight months and for August follow:

—Eight months—			
	1917.	1916.	Inc.
Gross .. . . .	\$8,677,624	\$7,832,640	\$844,984
Exp. .. . . .	5,657,661	4,933,356	724,305
Net .. . . .	\$3,019,963	\$2,899,284	\$120,679
—August—			
	1917.	1916.	Inc.
Gross .. . . .	\$1,114,511	\$ 971,934	\$142,577
Exp. .. . . .	767,079	638,497	128,582
Net .. . . .	\$ 347,432	\$ 333,437	\$ 13,995

## SHAWINIGAN WATER & POWER CO.

A special meeting of the shareholders of Shawinigan Water & Power Company, has been called for noon on October 31st, to get authorization for the increasing of the capital of the company, from \$15,000,000 to \$20,000,000.