

Banking and Business Affairs in the U.S.

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(Special Correspondence of The Journal of Commerce).

New York, Jan. 27.

High Prices For Meat.

That the war is not altogether responsible for the high cost of meat appears from a recent compilation showing the production of cattle in the United States for the past ten years. In this time it would seem that while cattle other than milch cows have decreased 10,000,000, and sheep by nearly 5,000,000, the population increased by 10,000,000. Compared with the previous ten-year period, however, the production of swine increased by about 13,000,000. It is shown that cattle and sheep are not only produced in smaller quantities in ratio to population than formerly, but that there has been in the past ten years a serious actual numerical falling off in production. This condition of affairs would have meant an advance in prices of meat even without the war, and of course this is what happened, the rise having occurred long before the war began. The war tended though to aggravate the shortage and still further to advance prices. That hogs should have shown an increase while cattle and sheep declined may be due to the fact of more intensive cultivation and the added production of grain crops used for animal food. While, on the other hand, the available pasturage for cattle and sheep, once furnished by the great western "ranges," has been diminishing year by year. The production of hogs has perhaps also been stimulated by the remarkable rise in the price of pork products, a rise greater in proportion than has taken place in the case of beef and mutton. Although the advance in the two latter products has been very great, it has not been sufficient to stimulate the production to an extent sufficient to keep pace with the actual increase in population, much less with the growing demand.

Direct Taxation.

The new Revenue Bill, which has been practically agreed on by the House of Representatives, which is the body that under the constitution exercises the sole power to originate revenue measures, greatly adds to direct taxation. No other course would be possible since there has been a large reduction in the duties on imports, coupled with enormous actual and contemplated increases in expenditures.

Complete statistics of the foreign trade of the United States for the year 1916 show that the total was \$7,872,617,266, of which \$5,480,900,931 represented exports and \$2,391,716,335 imports, an excess of exports amounting to \$3,089,184,596. These figures are quite without precedent, and they are of course due in an important degree to abnormal conditions produced by the war.

The gold movement has been exceptional also, the net imports for 1916 being \$529,951,671, compared with \$420,528,672 net imports in 1915. In 1914, however, there was a net exportation of gold amounting to \$165,228,415, making the net gain on the three years' gold movement \$895,251,928. That continued high prices and monetary ease will ultimately expel gold from the country, on the readjustment of the world's exchanges following the close of the war, may be expected. Amendments to the Federal Reserve Act are now pending looking to the protection of the country's gold stock. One of these amendments provides that the remaining payments which member banks are to make to the Federal Reserve Banks shall be made now instead of on November 17 next, as provided in the original law. The payments in question represent the transfer of reserve funds from member banks to the Federal Reserve in situations. If the impending changes in the law shall be made, as now appears probable, it is estimated that the Federal Reserve Banks will gain some \$354,000,000 of gold. It yet remains to be demonstrated whether or not the Federal Reserve Banks can exercise such control of the discount rate as will prevent or measurably restrict gold exports. It is well known that this function was not always easy of exercise by some of the great European central banks. As the membership of the Federal Reserve system at present embraces only a minority of the banks, and since the total resources of all the twelve Federal Reserve Banks are insignificant when compared with those of the banks of any of the large financial centres, this control may be even more difficult here. Much depends upon the co-operation of other banks, members and non-members.

Co-operation in Foreign Trade.

If the views expressed at the National Trade Con-

vention at Pittsburgh by James A. Farrell, President of the United States Steel Corporation, are representative of the general sentiment of this country, America cannot be expected to look with much favor on a league for economic warfare after the European war ends. On this point Mr. Farrell said that while it was a debatable question whether the United States can become a member of an international league of peace for the prevention of future wars, it is not at all doubtful that we can render an invaluable service to the establishment of lasting concord among the peoples of the earth by setting our face against anything that looks to the perpetuation of commercial war in peace. As to our part in helping to build up the areas devastated by the war, Mr. Farrell said that co-operation on the broadest and most generous scale, and in the most sympathetic spirit, must be the rule if recovery is to be quick and thorough. He suggested that our merchants, manufacturers and bankers must address themselves to this great problem in a spirit similar to that shown in dealing with the historic disasters at Chicago, Baltimore and San Francisco.

Estimates of the public and private property destruction already caused by the war have been placed recently at approximately \$6,000,000,000, and the end is not yet. As the replacement of this property must necessarily extend over a considerable period of time, the task is less formidable than appears at first sight. Both private and public capital in Europe will be called on for by far the larger share of this work of restoration, though the United States will participate in it to a certain extent. Whatever the Entente Allies may consider necessary to be done for their better economic protection, Mr. Farrell doubtless represents public sentiment in this country when he declares against economic warfare in time of peace. It can hardly be supposed that any league of nations would follow such a policy further than seemed compatible with their own interests.

Bank Clearings Less.

Returns of the clearing house exchanges of the United States for the week ended January 27th, indicate a total of \$5,465,156,404, compared with \$5,845,030,947 for the preceding week and \$4,353,524,907 for the corresponding week of 1916. Whether the slight falling off in clearings as compared with recent dates indicates a permanent tendency toward trade recession, or whether it merely shows a slight reaction which might not unreasonably be looked for at the beginning of the year, it is as yet impossible to determine. There must be a shrinkage of trading soon, for a good deal of the present volume grows out of the war, and the demands from that source are not wholly insatiable nor is the ability to keep up purchases on the present scale and to pay for them at present prices, absolutely without limit. Things sometime, somewhere and somehow come to an end, and this is as true of trade expansion as of other things. As to when the end of the present era of expansion will come, or whether there are already signs of a slackening, these are questions not easy to answer.

Foreign trade keeps up, December exports making a new high monthly record. It is not quite so easy to gauge domestic commerce, but the decline in bank exchanges — and there have been two successive declines of late — would seem to foreshadow a slight recession of the wave. The lessened bank clearings may, of course, be due to a falling off in speculation. Trading was more active a few weeks ago because of the excitement engendered by peace rumors. As the market has grown somewhat accustomed to peace talk, little effect is now produced by additional peace notes or "conversations." Probably in the not distant future a definite peace movement will begin, and it will then be interesting to see how the market stands the change and what the effect will be upon general business. President Wilson's address to the Senate on January 22nd had far less effect in these quarters than his previous peace note addressed to the belligerent powers.

Return of American Securities.

From a London source — Sir Felix Schuster, Governor of the Union of London and Smith's Bank — comes an estimate of the amount of American securities sold since the war began. Sir Felix puts the amount at \$1,750,000,000, though he was careful to state that exact figures were not to be had. Assuming these figures as fairly correct, it will be seen that the United States has taken over heavy financial responsibilities since the outbreak of the

war, for the loans to foreign governments are now around an additional \$2,000,000,000. This comparatively sudden reversal of the financial position of the United States will long remain one of the most dramatic chapters in the history of world finance. When the war began, there was pressure to sell American securities, and our drafts were held in so little repute abroad that a shipload of gold had to be despatched to Europe to meet the demands of American travellers stranded on the other side of the Atlantic. Gold kept flowing out of the country, and the net exports for 1914 were very heavy, but in the following year the tide turned, and now we are flooded with gold.

There must still be a large volume of American securities held abroad. This view gains confirmation from the amounts of these securities lodged in New York as collateral for loans to the United Kingdom. But, as time goes on, these securities are likely to find absorption in the New York market. For a long time Europe will need to lend rather than to borrow. It must not be lost sight of, however, that much of the English borrowing is only apparent, because these borrowings have been for the purpose of making loans to the countries allied with England in prosecuting the war. What is borrowed with one hand is lent with the other. Because of her large foreign investments and excellent credit, Great Britain can borrow on more favorable terms than most of her allies, and it is therefore more economical for her to obtain the credits in the first instance and pass them on to the other nations. When the final record of war finance is made up, it may be found that the foreign loans of Great Britain have not decreased in volume, but that the loans have been shifted from one country to another. It may be increased, in fact, that the total has been largely increased.

Good Roads Movement.

For the fiscal year ending June 30, 1918, the United States Government has apportioned \$10,000,000 to be used in the construction of rural post roads. This is part of a total appropriation of \$85,000,000 to be gradually available for the same purpose. This movement for better public highways is one in which this country has lagged behind other prominent commercial nations, and no doubt the development of many localities has been seriously hampered in consequence. The change of policy has been hastened by the growth of the automobile industry. One branch of this industry — the manufacture of motor-trucks — is doubtless calculated to play an important part in local short-distance transportation in the near future. Its possibilities are already so great as to occasion some concern to the railroads. But as the trolley, with few exceptions, developed local and short-distance passenger travel and did not interfere much with the railways, even benefiting them in many instances, it is probable also that the carrying of goods by motor vehicles will stimulate local trade and help instead of harm the railways in the long run. Possibly this may afford a partial solution of the traffic problem. If the existing railways were relieved of some of the burden of local traffic, they could better handle inter-State commerce. With the existing congestion, some speedy means of relief is needed, and it may proceed in part from the direction indicated. For short distances not parallel with main lines of travel, and where the traffic hardly warrants the construction of a railway, the utilization of motor vehicles for carrying goods would be a great benefit and would probably increase railway traffic, since the motor lines act as feeders. The use of vehicles of this character in the cities is already rapidly supplanting horse-drawn vehicles, which are becoming every day less numerous on the principal thoroughfares. When this demand is measurably met, the motor-trucks will come into use in the country wherever good roads makes them practicable. An appropriation of \$85,000,000 for road improvement by the Federal Government shows how deep a hold this movement has on the public mind. States, countries and municipalities are also devoting large sums to road improvement.

State Regulation of Investments.

A decision of far-reaching importance to investment bankers and to corporations was rendered by the Supreme Court of the United States on January 22nd. This decision sustains the laws of the States of Ohio, Michigan and South Dakota regulating the sale of securities and designed to keep out so-called "get-rich-quick" schemes. This decision will also have the result of upholding similar laws in other States and will likely lead to legislation in those States that have not yet passed laws of this character. The regulation of the sale of securities within their borders on the part of the States, when

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