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Financial and Business Conditions in the U. S.

With the extra session of Congress, at which many matters of business and financial importance will be presented for consideration, the economic atmosphere has been to some extent clarified by a declaration of the new administration's attitude toward the Versailles Treaty of Peace and the League of Nations Covenant. Germany has been frankly told that she must accept responsibility for the war and that such settlement as may be made between her and this country will be predicated by that acceptance. At the same time the United States will not enter the League of Nations as now constituted, but will formulate a separate peace with Germany, such peace, however, to indicate clearly this country's recognition of the interdependence of all nations and its determination to assert its utmost influence hereafter in preventing international war. These declarations of policy, as yet not fully elaborated are being received by the business men of the country as indications of a desire to have the major uncertainties of the present readjustment period removed as quickly as possible. It is believed that a settlement of this country's relations to the new order in Europe will go far to stabilizing the world conditions, upon which a revival of industry in this country so greatly depends.

America Dependent.

This matter of American prosperity in its relation to world affairs was emphasized recently by Francis H. Sisson, Vice-President of the Guarantee Trust company of New York, in an address before a joint meeting of the Illinois Manufacturers Association, the Chicago Association of Credit Men, and the Chicago Association of Commerce. Declaring that Americans are too prone to think in terms of what the United States means to the remainder of the world, he said:

"It is high time for us to realize fully what the rest of the world, and especially Europe, means to this country. We have lately put too much emphasis on our help to other nations; we need to understand that we require their assistance.

"For the first time, perhaps, our people as a whole are beginning to visualize, if not completely to comprehend, that economic conditions in Europe have their reactions here, and vice versa; that consequently we must think of Europe in terms of American conditions. In brief, we are just awakening to the realization that, while we did not annex a square foot of Europe politically in the war, we annexed, almost unwittingly, a large part of that continent economically, and find now that we cannot withdraw from it, if we would, except at the sacrifice of our own prosperity—except, indeed, at the fearful cost of great economic loss here.

"The reactions here of economic disturbances in Europe are beginning to manifest themselves so plainly that every element of our body politic—the business man, the banker, the manufacturer, the farmer and the laborer—cannot fail to see and feel them. The most patent and perturbing evidence of those reactions is the present unemployment in the United States, unquestionably due in considerable part to world-wide conditions."

Foreign Trade

The report of the Bureau of Foreign and Domestic Commerce on foreign trade for February shows a decline from $645,145,000 to $489,297,000 in exports as compared with February, 1920, and a decline from $467,402,000 to $214,525,000 in imports as compared with February a year ago. Imports for the same periods were $2,757,338,000 and $3,235,079,000

As between February of this year and February, 1920, there were notable declines in exports in the case of Belgium, from $28,145,000 to $12,137,000; Denmark, from $14,659,000 to $2,894,000; France, from $65,520,000 to $20,432,000; Sweden, from $7,636,000 to $2,910,000; Switzerland, from $2,566,000 to $607,000; United Kingdom, from $169,121,000 to $93,450,000; Canada, from $63,316,000 to $45,178,000; Brazil, from $10,443,000 to $6,240,000; and Japan, from $34,884,00 to $22,028,000. The notable increases in exports were: Germany, from $18,598,000 to $39,619,000; Mexico, from $12,222,000 to $25,154,000; Argentina, from $11,612,000 to $16 441,000; China, from $7,124,000 to $12,768,000; Dutch East Indies, from $4,442,000 to $9,689,000; Australia, from $9,205,000 to $13,465,000; Philippine Islands, from $3,568,000 to $5,017,000; British South Africa, from $3,990,000 to $5,017,000; and Egypt, from $645,000 to $1,623,000.

Imports declined in the case of all countries except Germany, where there was an increase from $3,881,000 to $4,952,000, and Greece, where the increase was from $1,095,000 to $3,626,000.

Railroad Earnings

Definitive figures on railroad operation made public on April 1 show that in January the carriers suffered a deficit of $1,167,800. As a result of this deficit the carriers failed by $68,439,000 to earn the amount which it was estimated they would earn because of the increased rates granted by the Interstate Commerce Commission. Of the 202 railroads reporting, 109 failed to earn their expenses and taxes. Of these roads, 45 were in the Eastern, 16 in the Southern, and 48 in the Western Districts.

Total operating revenues for January were $468 834,000, or an increase of 5 1-5 per cent over those for the same month in 1920, while total operating expenses were $442,474,000, an increase of 6 3-5 per cent over those for the previous January. The net railway operating income, however, was a decrease of 120.6 per cent under that for January, 1920. In making these tabulations, $54,136,000 in back mail pay, paid the roads in January, 1920, but applicable to 1918 and 1919, was not included.

Despite the increase in rates amounting to 33 1-3 per cent, which became effective last August, freight traffic revenues increased only 4 1-5 per cent over those of January, 1920, while passenger rates, increased 20 per cent last August, yielded an increase of only 14 3-5 per cent in revenue as compared with January a year ago. This is explained by the fact that net ton miles for freight decreased 14.7 per cent and passenger miles decreased 6 1-2 per cent.

Early reports on February railroad operation indicated a somewhat better result than was attained during January.

The Gold Movement

The Federal Reserve Board's statement of April 2 showing aggregate gains of $35,700,000 in gold has directed attention to the magnitude of the gold movement during the past six months. It is estimated that the addition to this country's gold supply during that period is about $300,000,000, and it has been noted that there have been only two six-months' periods in which such a total has been exceeded. During the six months ending with May, 1917, gold imports totalled $545,000,000 as against exports of $143,000,000, and from June to November, 1916, inclusive, imports of gold were $463,000,000 as compared with exports of $70,000,000. Before the war the record importation for a six months' period was during the panic of 1907, when $122,000,000 came in. The gold reserves of the Federal Reserve System on April 2 totalled $2,246,000.

Of the $44,422,000 in gold imported into this country during February, it is officially stated that 31 per cent came from France, 24 per cent from England, 13 1-8 per cent from China, 11 3-4 per cent from British India, and 20 1-8 per cent from half a dozen other countries. German and Austrian gold to the amount of $1,000,000 is reported on its way to this country now, this shipment being regarded as the beginning of a considerable movement.

Business Conditions

The second quarter of the year opens with an appreciable gain in business confidence. Irregular and contradictory as they may at first glance appear, the reports from various sections of the country are on the whole indicative of an improved situation. Certainly conditions are no worse than they were a month ago, and, indeed, the element of greater stability is so pronounced as to lead to a prediction that before mid-year a definite turn for the better will be demonstrated. There has been a slight increase in railroad traffic, and an improvement in the railroad labor situation because of the policy of retaining efficient workers only. Automobile manufacturers are reopening their plants. Building operations are on the increase. Farm products are being disposed of under pressure of a large new crop and the inability of the banks to carry both the hold-over and the new products. Secretaries Hoover and Mellon, backed by Governor Harding of the Federal Reserve Board, have told the cotton raisers that they cannot expect the Government to assume all the risks of financing the exportation of cotton, and it appears that something like personal initiative is to come to the rescue of the unhappy situation in the South. The trend of prices continues downward in the wholesale markets, but consumers still complain that, with one or two exceptions, retail prices for food and clothing do not represent these recessions in manufacturers' and jobbers' costs.

The Money Market

For the first time since last November, the rate for call money on the New York Stock Exchange fell below 6 per cent on April 5, when 5½ per cent was quoted. Loans at 4½ per cent. For the two weeks previous the rate for call money ranged from 6 to 7 per cent, with 6½ per cent the prevailing rate. Time funds are still closely held and little business is being done at the 7 per cent rate quoted for both classes of collateral. Commercial paper rates are 7½ per cent and 7¾ per cent.

The importations of gold already referred to and the continued reduction of loans brought the Federal Reserve ratio of reserves to deposits and Federal Reserve Notes up to 52.4 per cent on April 2, as compared with 50.8 per cent the week before and 42.9 per cent a year ago. The New York bank, with a ratio of 56.7 shows a gain of 16.7 since the beginning of the year.

Commodity Markets

IRON: A few foundries have been buying iron for immediate shipment, but not enough to supply the furnaces remaining in blast with sufficient work to keep them going. Production has reached a low record level, but there is ample iron to supply current needs. The markets in Eastern Pennsylvania and in the South are dull and reports from the Pacific Coast state that conditions there are in keeping with those in the East. Quotations April 4 were: Gray Forge, Pittsburg, 26.96; No. 2x Philadelphia, 29.54.

COFFEE: During the past two weeks very little change has been noted in the coffee market, which has been dull and unsettled. The spot coffee market has had no striking features. Cost and freight firm offers from Santos have been a little firmer. The local spot market also has been dull. Santos 4s were quoted April 4, 9½-10 and Rio 7s at 6¼-1¼.

SUGAR: The prospects for the enactment of the Emergency Tariff bill, with provision for an increase of the duty on sugar, explain to some extent the prevailing dullness in the sugar market. The refined sugar market has been very dull, with refiners quoting on the basis of 8c for fine granulated. Spot sugar Cuban 96 deg. cent. duty paid, was quoted April 4 at 6.27; 8.00.

COCOA: Because of a larger world supply of cocoa than before recorded, a decrease of 50 fer cent in consumption, the shrinkage of market values at home and abroad continues. The future of the cocoa bean market seems unceratin. Quotations April 4 were: Bahia, 6⅛-7½; Accra F. F. 7-7½; Arriba, 9¾-11; Sanchez, 6⅛-6¼.

RUBBER: Although offerings of rubber are comparatively small, there seems to be more stock available on spot and in future positions than is required to meet the limited requirements of consumption. Para Up-river, fine, was quoted April 4 at 17c.

HIDES: Buyers are showing a keener interest in the general situation. Dry hides continue weak and some buyers have expressed the belief that prices should be below those asked by holders, who show little inclination to shade present quotations. The packer hides market has continued dull. Bogotas and Orinocos were quoted April 4 at 11-12c.

COTTON: The impending English strike has cast a shadow over the world's cotton markets. The Liverpool, New York, New Orleans, and Alexandria markets have dropped sharply. In the spot market sales have been small and prices weak. There has, however, been some investment buying. April 4 Middling Upland was quoted at 11.85c., a drop of 25 points.

LEAD: The lead market has shown signs of improvement, although there has been little demand for that commodity. A recent advance has brought up the price of the leading producers to 4.25c. for New York and East St. Louis delivery. On April 4 the Metal Exchange advanced its settling price for spot on April 5 points to 4.45c. and quoted 4.50c. for May. For East St. Louis and equivalent it quoted 4.25c. for spot and April and 4.30c. for May. The London mar-

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