

CURRENT TOPICS

THE NEW REGIONAL RESERVE BANKS

The opening of the twelve regional reserve banks provided under the Glass-Owen currency bill, following months of careful preparation and organization, is an epoch-making event in American history. The far-reaching benefits of the new currency law are recognized by bankers and business men in every section, and regardless of political affiliation, they look forward to this new law as a boon to the business interests of the country. In reference to the operation of the new currency law an editorial in the *Duquesne (Pa.) Telegraph-Herald*, says:

"On November 16, 1914, the twelve regional banks provided for in the new currency law will open for business under governmental control and this should mark the inauguration of the greatest era of prosperity based upon finance ever known in this country. The law under which they open is made up of all the best features of the banking systems of the entire world and when it is put into effect it will banish forever that specter of American business, the unwarranted panic. Never again will Wall street, or any other combination of capital, be able to dictate American finance, and never again will one small group of men hold the destinies of the country in their hands, to be dealt with as they will. America, which has so long been lagging behind other nations in matters of finance, will take her place in the fore-front.

"The workings of the new currency law, which took so much careful thought by the greatest finance experts of the nation, are easily understood. The twelve regional banks which are established are not banks in the accepted sense of the word, since they will not deal with the people direct, but they are banks for bankers. Under the present system, which will soon be abolished, a bank is permitted to loan a sum equal to a certain per cent of its capital stock. When that amount has been loaned no more is available. If a bank, for instance, has loaned its full capacity, say \$100,000 and a business man desires to borrow another \$75,000 the bank can not loan it and the man must go elsewhere or do without. That feature is what has made it possible for Wall Street to control and precipitate panics. Under the new system if this bank has loaned \$100,000 on good security and another customer wishes to borrow \$75,000 the bank may take the securities for the first loan, the \$100,000, to the regional bank and secure the needed \$75,000 loan on them at perhaps 4 per cent interest. It will then take that \$75,000 and loan it to the customer at perhaps 5 per cent interest, taking his securities for it. The bank may then take these securities to the regional bank and borrow more money on them to loan to a third customer, and so on, down to the last \$100.

"It will readily be seen that by this system the banks of the country have almost unlimited resources and can make loans to their customers on a scale hitherto unknown. The plan has the additional advantage of governmental supervision over the securities accepted by the banks and will prevent the acceptance of shaky collateral. In effect it makes the United States treasury, the big bank of the nation, somewhat after the fashion of the Bank of England which is the big bank of England, but with the added safety of all the nation's resources and supervision behind the huge central bank. Under this system legitimate business need never suffer for lack of capital or be subject to unwarranted financial panics."

CLOSER RELATIONS WITH LATIN AMERICA

A special study of the Latin countries on this side of the Atlantic was strongly urged by Dr. P. P. Claxton, commissioner of education, in a recent address to high school principals. In view of the opening of new trade routes and the opportunities offered for securing larger markets in South America for the products of the United States as the outgrowth of the European war, Dr. Claxton's suggestions will be of interest at this time. He said:

"We should teach in our schools and colleges more of the geography, history, literature and

life of the Latin-American countries, and we shall offer instruction in the Spanish and Portuguese languages to a much larger extent than is now done.

"All our relations with the republics to the south of us are bound to become much more intimate than they have been in the past. The completion of the Panama canal, the changes in commercial relations brought about by the war in Europe, as well as other recent events, have served to call the attention of the people of the United States to the recent rapid growth and development of the Latin-American republics.

"These countries comprise an area three times as great as the United States. They are rich in minerals, forests, water power, and a wide range of agricultural products. They have 70,000,000 people, with governments modeled after our own. Their foreign commerce amounts to more than \$3,000,000,000 annually, and is rapidly increasing.

"The third American city in population is in Latin-America. Another Latin-American city has 1,000,000 inhabitants. Three others have approximately 500,000 each, and five others have each 200,000 or more. Some of these cities rank among the most beautiful and attractive in the world.

"These countries are making rapid progress in elementary and secondary education and in industrial education. Several of their universities enroll from 1,000 to 2,000 students each. The history of their countries is interesting, and they possess rich and varied literature.

"A further reason for teaching Spanish in our schools more than we do is that it is the language of one-tenth of all the people claiming protection under the American flag, as well as one of the cultured nations of Europe."

THE SECRET OF GETTING FOREIGN TRADE

The partial or total cessation of the foreign trade of the nations engaged in the present European war has served to emphasize the relatively small development of the foreign commerce of the United States, especially with the South American countries. That something else, other than taking advantage of Europe's temporary extremity, is needed to develop and hold foreign trade is becoming apparent to American business men. A writer in the *Sioux City, (Ia.) Tribune* gives some of the reasons why the United States has lagged behind in the race for the world's trade, together with an encouraging note as to the beneficial effects of the new tariff act upon our foreign commerce. He says:

"John F. Fowler is at the head of the export department of W. R. Grace & Co., New York, which does the largest business with South America of any firm in the United States. Mr. Fowler is credited with knowing more about actual business conditions in South America than any other man in the United States, having handled exports to that continent for 25 years, and 15 years of this time living in the various South American countries and acquainting himself first hand with conditions as they are.

"In an article in the *New York World*, Mr. Fowler says it is not lack of banking facilities or a credit system, nor lack of shipping facilities, nor yet the lack of experienced salesmen or advertising that has been the drag on United States trade with South America, while Germany and England and even Holland and Belgium have gone ahead.

"He states the fundamental proposition: 'People in South America do not buy on sentiment any more than people do elsewhere,' so the fact that this is a republic, and there is a Pan-American union and a Monroe doctrine and all that sort of thing, gets nowhere in South America when it comes to commerce. South American people patronize people who patronize them, which leads Mr. Fowler to make this observation:

"In seeking trade relations outside our own boundaries we have been prone to overlook the fact that barter is a good principle. Hitherto our tariff might well be considered as 'in restraint of foreign trade.' Our old tendency was

to exclude everything that we were not absolutely compelled to obtain abroad, but our new tariff is something like an invitation 'to trade both ways' and a sign that we are at last open to do more bartering. We must not overlook the fact that Europe has always been the large market for South American products and, reciprocally, naturally got a corresponding share of the return trade.'

"Nobody knows Mr. Fowler's politics. Maybe he hasn't any. He is simply an experienced trader in the world's markets, and he is but telling what must appeal to everyone as a logical and fundamental truth.

"This country can not expect other nations to buy, buy, buy of American manufacturers and jobbers and not sell to Americans in return. Commerce is not a jug-handled affair like that. This country can not erect a wall of high tariff schedules and say to other nations, 'You can not sell in our market,' and then expect the other nations to welcome us in their markets.

"According to Mr. Fowler, our new tariff has given trade with South America a wonderful impetus and it will steadily increase if we maintain the present tariff policy. In view of this testimony and other testimony exactly like it by men familiar with trade conditions in the world's markets, what folly to consider seriously the reactionary program to re-enact a tariff that is 'in restraint of foreign trade!'

"The thought suggests one ray of light. The manufacturers who increase their business by the abolition of the old 'restraint of trade' will probably cease to subscribe to campaign funds for its re-enactment."

DIVORCE AND LEGISLATION

The remedies sought to curtail the divorce evils of the country often fail because of the fact that they can not of themselves reach the fundamental causes of marital unhappiness. Discussing this subject, a writer in the *Washington Post*, says:

"Most of the evils of which complaint is made can be corrected only by education and religious methods. The unkindness and lack of toleration which provoke many quarrels in the home can not be halted by legislation. Remarriages might be prevented, but the result of such a law might be worse than the evils of divorce.

"Those who complain about the increase in the divorce rate are dealing with superficial rather than fundamental conditions. Every state in the union takes precautions against hasty divorces. There is always a delay that gives the parties a chance to change their minds.

"There is no such delay with regard to marriages. Young persons who have not known each other a day may marry at will. Were greater restrictions thrown about marriages there would be fewer divorces.

"It is much better to go to the root of the problem. The interest of the nation is in the production of strong and intelligent population. To this interest the preservation of the home is essential. If the right kind of marriages are made, and there is no haste in the beginning, there will be fewer divorces and fewer unhappy homes in the end."

"LAST ROLL" CUTS PENSION LIST

Decreases in the annual expenditure for pensions, due chiefly to the death of veterans of the civil war and their widows, is shown to a marked degree in a recent report of Gaylor M. Saltzger, commissioner of pensions.

Quoting from the report the *New York Herald* says:

"The payment for the fiscal year 1913 on account of pensions was \$174,171,660.80, while payments for the same purpose for the fiscal year 1914 was \$172,417,564.26. This shows that the largest amount ever paid out was expended in 1913. Up to that time there had been a gradual ascent, but the summit has been passed and a decrease in the amount may be expected to continue.

"Mr. Saltzger presented figures showing the loss and percentage of loss to the pension roll