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Money Market Conditions.

Dullness and low interest rates are the chief features of the Twin City money market. The easiness in money in the East and which until recently was reflected only in part here in the Northwest, has finally resulted in depressing interest rates to a lower level than seemed possible the early part of the new year.

Commercial paper brokers are offering a little paper of some of the well-known local houses at 4 per cent. and commission, or $4\frac{1}{2}$ to the borrower; and the latter may be quoted as the bank rate. This is on both demand and time money. The rate on terminals is 4 per cent. These low rates may be taken as reflecting a dull business situation generally.

Another feature of the Northwestern financial situation that is worthy of note is the improved demand for bonds. Not only is there a better demand in the Twin Cities but country bankers are buying bonds moderately. A year ago country bankers were not in the market for bonds, but money conditions were very different then. In the Twin Cities individual buyers of bonds are not of one mind regarding the income return. While some buyers will not touch anything that yields less than 6 per cent., other investors are satisfied with 5, provided the securities are of the highest type.

When one endeavors to trace the existing general business dullness to its source, in order to learn the cause or causes, the investigator finds little of a tangible nature and much that is intangible—that is, if you can find that which does not exist. Yet the preceding sentence fairly illustrates the present financial and business situation. No one will say that there is anything fundamentally wrong with business; the banks are unquestionably sound; there is not the slightest apprehension in a financial way—that is, lest the country be headed toward a panic; yet there is, nevertheless, in big business and banking circles a feeling of apprehension. But as no one can with certainty put his finger on any particular

reason for apprehension, such feeling must be regarded as entirely sentimental.

This condition of mind in the financial world is the result of a combination of many factors. First, there was the change of administration at Washington with many uncertainties as to policies; then came the new tariff law; the Mexican situation is unquestionably a factor of uncertainty with many financiers and causes hesitation on the part of capital, not in Mexico but at home; and then there is the railroad situation, and perhaps this is the most influential factor of the present financial and business epoch.

The railroad situation may be subdivided and placed under three heads. First, there is the influence on all business when the railroads are actively buying equipment and supplies, making many improvements and building extensions. Such operations exert a powerful influence directly on many lines of business, and the indirect effect is felt throughout the country. At present the absence of this factor is felt in the business world.

The second factor in the railroad situation that is adversely influencing general business is the freight rate question. Its present status unquestionably has an adverse influence, and for the good of business the Interstate Commerce Commission should settle the freight-rate question at the earliest possible moment. Even if the commission decides against the roads, the latter will at least have the satisfaction of knowing where they stand.

The most influential factor in the railroad situation as affecting the business and financial world, and doubtless one of the most influential of all the factors that have combined to shape sentiment, is that of the recent revelations of railroad mismanagement. First came the shock of the 'Frisco system receivership. Then followed the Boston & Maine and the New York, New Haven & Hartford financial cataclysms. The devastation of the Civil War to many fortunes in the southern states was hardly greater than the havoc wrought to many New England fortunes by the mismanagement of these two roads and the resultant depreciation of their securities. The business of the country is also feeling the effect now.

Of more immediate effect in the Northwest, however, comes the jolt to confidence as a result of the recent opinion, relative to the Chicago, Milwaukee & St. Paul Railway company, handed down by Commissioner Harlan of the Interstate Commerce Commission. In commenting on this, Bradstreet's, perhaps the most conservative financial journal in the country, says:

The opinion by Commissioner Harlan involves charges, in substance, that in the year 1910 the Chicago, Milwaukee & St. Paul company included in its income accounts interest, rents and revenue assignable to the period prior to July 1, 1909, and decreased its operating expense by crediting thereto more than \$500,000 on account of items that accrued prior to 1907. By such means the company's income for the year in question was swollen by more than \$5,000,000. On the other hand, the opinion sets forth that in 1911 there was an ostensible falling off of \$2,000,000 in earnings, which the management explained as being the result of its inability to obtain higher rates and the greatly increased cost of labor, these alleged causes the commis-

sioner holding not to be in accordance with the facts. Besides these delinquencies in accounting, the company is also charged in the opinion with having greatly overstated the income of its Puget Sound line, which at that time was being brought from the construction stage to that of operation. It says that had the net income of the Puget Sound company, which in the year under examination was put at \$2,255,440, been correctly stated, the 2 per cent. dividend paid upon its stock to the parent company would have been impossible, and that without this the Chicago, Milwaukee & St. Paul would not have been able to pay its own dividends. Such serious irregularities are held to merit the strongest condemnation, Commissioner Harlan even going to the length of intimating that the alleged fictitious showing of income was used to aid in the sale of bonds by the implicated organization.

It will be observed, however, that the charges refer to matters of four years ago. In fact, the opinion states that the financial condition of the parent company and the Puget Sound line, which has now been absorbed by the Chicago, Milwaukee & St. Paul, must be regarded as very favorable.

Unfortunately the securities market was led temporarily to take the criticisms as seriously reflecting upon the position of the company, the news of the opinion having been coupled with an unnecessary parallel between the road that was treated therein and the financial operations of the New Haven and St. Louis & San Francisco companies. No such comparisons are contained in the text, though it does say that "recent years have witnessed the exposure of glaring instances of the financial wrecking of transportation agencies by those in positions of authority," and that much of this trouble might have been averted had proper accounting methods been followed.

To say that the opinion handed down by Commissioner Harlan was a shock to the financial interests of the Northwest is to put it mildly. It was a heavy blow to confidence. In the business and financial world it cannot be otherwise than that the railroad-mismanagement revelations of the last few months must react upon all the roads; even the best are now under suspicion, for who can now feel sure of any?

While none of the factors touched upon in the foregoing will cause a perceptible decrease in the consumption of any commodity, nor affect the production of crops, nor the manufacture of anything excepting railroad equipment, and that only temporarily, nevertheless, confidence has been shaken and sentiment developed adversely to immediate business improvement. In short, big financial interests have apparently had forced upon them a watchful-waiting attitude.

A Record Development.

The remarkable growth of the motor-car industry during the past twelve years sets a new pace in the development of manufactures. Many new lines of products have been placed upon the market and some of them in a comparatively short time, but in rapidity of growth and volume produced none has approached the automobile industry. Since 1902 more than 1,700,000 cars have been turned out of American factories. About 1,240,000 are now in use, as indicated by the number of licenses issued in the various states. The output for the year 1913 totaled 500,000 cars, and over \$300,000,000 of capital is now invested in the business. A conservative estimate based on these figures, of the amount the American people have spent in the purchase of motor cars

during the past decade, foots up the stunning sum of a round billion dollars.

In all the history of mechanical industry there is probably no instance of such phenomenal development in so short a period. Evidently the motor car arrived at just the opportune moment and supplied a demand that was urgent when once aroused. The consummate genius of the American engineer and mechanic have united with the best business generalship in the advertising and sale of cars, to produce such astounding results.

The growth of this industry and the vast sum annually diverted to the purchase of cars, helps to explain in some degree the slowing up in a few other lines of business and incidentally emphasizes the tremendous buying power of the American public, the greatest of any 100 million people in the world.

It has been predicted every year that the high point was reached in the output of cars, but with the advent of lower-priced pleasure cars and the increase in the use of motor trucks, additional impetus has been given the business. Now few are willing to venture a prediction as to when this wonderful industry will cease to expand.

"The Perils of Lawlessness."

Reducing this nation to the singular, we are described, in effect if not in words, by Dean Vance of the U. of M. Law School, as being a "tough guy." In fact, instead of being a law-respecting people, "we have, among the great nations of the earth, the bad eminence of being the most lawless."

While most of us must have had our suspicions, probably few had thought it was quite so bad as that. Still, there is Mexico and the East Side in New York City—surely they are more lawless than the United States! Between the United States and Russia it seems to be perhaps a question of method rather than principle as to which is the more lawless. Russia, though an old nation, is still crude and brutal; but the Russians usually get results when they start anything.

But to return to Dean Vance, who recently delivered an address, the subject of which was "The Perils of Lawlessness," at Redwood Falls, Minnesota. As justification for his allegation as to this national characteristic of the American people, Dean Vance said:

During the year 1912, within the boundaries of the United States, there were 9,152 men slain in violation of law by their lawless fellows. This number is greater than ever before had fallen by the hand of the law-breaker. In 1910, 8,975 were killed. The increase of homicides has fairly outstripped the proportionate increase in population. The loss of life due to murderous hands during 1912 is startling enough in itself, being greater than that suffered in all of the battles in revolutionary Mexico during the same year, and equal to the loss in killed of the Federal army at the great battle of Gettysburg. But even this great actual loss of life might not so distress us if we had reason to hope and believe that with better education and a higher sense of social obligation, these murderous violations of law were becoming less numerous. But they are increasing rather than diminishing.

Of the nearly 9,000 cases of homicide in the United States in 1912, only 139 of the criminals were brought to execution. In 1911, with only a slightly smaller number of homicides, the executions for murder were only 74. Of the 202 men who took life in Chicago in 1910, only 16 were con-