NATIONAL MARKET FOR TRADE LOANS NEED OF BANKING

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paper. The manufacturer or merchant who ships the goods may demand the promissory note of the merchant to whom he sends it and to whom he gives a credit, say, of sixty days. When he receives this note, he may endorse it, and then discount it at his bank. Or, he may draw on the second merchant at sixty days' sight, in which case the second merchant accepts it by writing across its face the word "accepted," with his name and the date; and it then becomes an instrument convertible into cash by discount.

Credit for Productive Industry.

In either of these cases, we have two-name paper, based on actual goods in transit from the producer to the consumer, and dependent for payment, in the last analysis, not merely upon the commercial integrity of the men who made it, but upon the ability of the public to consume the goods it represents.

In the case of one-name paper, the wisdom of a bank granting a loan depends upon what it knows of its client. If the total amount desired is moderate in comparison with the client's total assets, and especially in comparison with his current receipts, it is a good loan. There is none safer. It should be understood that the selection by banks of such paper should be carefully made. They must have the facts about the business of the concern asking the loan. Usually banks have a bureau of information devoted to this purpose, called a credit department, thoroughly posted as regards the commercial paper offered to it.

This department may, in some instances, call for a full statement of the concern's business, or may even employ outside acountants to go over its books. It may, if it sees fit, demand to know whether the loan required is based upon an actual commercial transaction, and may demand evidences of the transaction.

It is often found advisable in cases of large loans on commercial paper to split the loan into a number of "notes," which are sold by note-brokers to different banks. It not infrequently happens that a small bank will buy four or five pieces of well known commercial paper in this way as an investment for idle funds; and in that case, if some unexpected demand is made upon the bank, so that it needs funds promptly, it will send as much of this paper as may be required to fill its need, to its city correspondent for rediscount.

Lower Interest Rates.

But by establishing a broader market for such paper, interest rates would be lowered in this country. If the market were still further broadened, to become international as well as national in scope, interest rates obviously would be still further lowered. The American merchant would have to pay less for the capital necessary for his business. It is obvious that the cost of borrowed capital must enter into the expense of conducting every large business. If interest rates are increased, the cost must be increased of every article into whose production or distribution the use of borrowed capital enters.

The lower interest rates prevalent in England and on the continent give merchants and manufacturers there an unmistakable advantage over their competitors in the United States. England's unrivalled monetary system and her low rates of interest to industrial enterprises are large factors in her commercial supremacy.

The Panama Canal, opening vistas of new business opportunities to America, is on the verge of completion. Will we permit it to become an added help to foreign nations, or will we, by adopting a scientific banking system, equip ourselves to reap full advantage of it? That is a question for the people of the United States to answer. It should be answered before the canal is completed. The answer should be in the form of competent and expert remedial legislation.

Commercial Loans Paid in 1907.

Commercial paper already has proven of such value to us that not to broaden its field is folly. It is now liquid within certain fields, being convertible into cash with more or less ease in times of industrial confidence. And even in times of stress it has demonstrated its worth.

I was immensely impressed with this during the panic of 1907. At that time we had large outstanding commercial accounts, which, although they were not secured by commercial paper, were closely akin to it. We simply stopped buying goods, and as we had always paid cash for everything, we had nothing but current expenses to meet. At maturity of our current accounts, those who could not pay in full would send us say, one-half, and a little later another remittance and so on. I apprehend that not two per cent of the commercial paper floating at that time went unpaid or was renewed.

It is readily apparent that commercial paper bridges the interval between the production and the consumption of goods, and gives the merchant or manufacturer ready funds for the continuance of his business, without waiting for the purchaser or consumer to whom he has extended thirty, sixty or ninety days credit, to make payment. Further than that, it encourages him to use his money more freely in the way of experiments in improved methods and improved machinery—feeling confident that he can be safe from financial embarrassment in so doing. I know of a case in which the manufacturer of one of the important products of the country so improved his processes as to reduce the cost fully one-third. This was made possible solely by the fact that through the use of commercial paper, the manufacturer was enabled to get the money with which experiments were made to devise therefore unknown mechanical appliances.

A National Credit Bureau.

Commercial paper is an important part of our industrial fabric, that I believe the American Bankers' Association should establish some kind of a bureau of information to circulate the business of the concerns trading it. In this way a great deal of reliable information could be placed at the service of those desiring to buy such paper—particularly banks—information not only as to the concern's assets and current receipts, but as to the extent of the loans extended to it from various sources. Commercial paper would then become the most desirable paper any bank could buy, so far as regards safety.

I believe that when we have a new banking system—for we must have one if we are to avert another panic—it will be perfectly proper to have some arrangement—under careful provisions and regulations—whereby the bank may rediscount their commercial paper with a co-operative agency. This would provide them with prompt relief in times of stress, and would help to prevent money panics. Such a provision certainly should be a part of any measure looking to a revision and improvement of our present banking system.

B. W. Wilson Paper Company's New Plant That is to Be, Governor and Franklin Streets.

IN VIRGINIA AND NORTH CAROLINA

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and prosperity of the surrounding country.

The High Point (N. C.) Enterprise says the building operations in its good town last year ran a trifle over $1,000,000.

One of the cotton mills of Lenoir, N. C., paid a dividend last year of 14 per cent, and all of the others did a good business, none paying less than 7 per cent.

The Wilmington Star keeps on whooping up Eastern North Carolina, and it has good reasons to. The Star says: "Why should not a wave of enthusiasm sweep over Eastern North Carolina because of its being an ideal corn producing country? After three years of demonstration under government and State auspices, the boys' corn clubs have shown us enough to inspire us with enthusiasm and confirm our confidence in our productive resources. We can afford to take it calmly while we are going through an experimental stage, but we have every reason to get enthused when a youngster in Eastern Carolina produces 188 bushels of corn on one acre of North Carolina soil." Jess so.

The cost of construction for which permits were issued in Charlotte last year was estimated at $971,100.

Asheville and its suburbs built last year $1,500,000 worth of houses of one kind and another.

Greensboro built in 1912 ninety-one residences, costing $219,255, 129 business buildings, costing $108,155, and seven schools that cost $55,000.

FACTS FROM AFAR.

Industrial Brieflets From All Over the World—Things Away From Home.

Washington, Southern California is soon to have a $10,000,000 steel plant.

Exports from the United States to Canada are average $[illegible] a day.

Gas is being extracted from the cotton-seed lines of Kansas.

The Missouri-Western Railroad is said to have been approximately finished in the Madras and Oregon expeditions.

With more than 200 cars, Denver claims to be the largest exclusively electric garage in the world.

A [illegible] was awarded for the one of the largest and highest office a back roof. The [illegible] was awarded.

The sale of a brick foot is worth from [illegible] and the expense are now being passed on [illegible] to supply the demand for [illegible].

The great bulk of the nut crop of the world is produced within the south temperate zone, the principal nuts of Europe, Mexico and several Canada and [illegible] are all of the temperate zone, these and other nuts.

Among those who are engaged in the automobile business in the United States [illegible] second largest [illegible] the [illegible] and Prevention of Tuberculosis.

The prospects for a [illegible] in Cuba are very bright, [illegible] that [illegible] the [illegible] organization has [illegible] the entire management of the farm will be in the hands of women and [illegible] the whole management of [illegible] farm will be conducted by women.

WINSTON BOOMS.

Building Going On In Excellent Great Tobacco Town A Few Details.

Winston-Salem, N. C., January 11.—Building operations in this Winston-Salem, the great tobacco city, were something enormous last year. The new houses erected during the year averaged in value about [illegible] thousand, of operations in the Twin Cities and Rural [illegible] Winston-Salem, Kernersville, Clemmons, Lewisville, Walkertown, Rural Hall, Tobaccoville, Pfafftown, Lewisville, Clemmons, Walkertown, Rural Hall, Tobaccoville, Pfafftown, Kernersville, Clemmons, Lewisville