



How Savings in Banks of United States Are Distributed—(Insert) Milton W. Harrison.

U. S. May Yet Raise \$75,000,000,000 for War

Milton W. Harrison of the American Bankers' Association Believes Americans Can Produce This Sum to Fight Germany

SEVENTY-FIVE BILLION DOLLARS for war! This gigantic sum, overwhelming to the most active imagination, may yet be produced by the American people to crush Prussian militarism, should it require such a weight of wealth, according to Milton W. Harrison, Secretary of the Savings Bank Section of the American Bankers' Association. He believes the people of the United States can dig down and eventually pile up this treasure for war against Germany. To do it they would have only to show in proportion the stamina displayed by the British people. His conclusions make the Government's initial loan of \$7,000,000,000 seem comparatively simple.

Mr. Harrison, in his official capacity, has devoted much time to study of the savings interests of the country. He considers what the people have saved in the past and estimates what they may be expected to do during the greatest crisis they ever have faced. He warns that the ability to loan money presupposes the money has been saved, and urges every man, woman, and child in the nation immediately to dispense with luxuries.

Many of the problems arising out of the Government's undertaking of huge war finance will be taken up for solution by the Executive Council of the American Bankers' Association, at its annual meeting at Briar Cliff Manor, beginning May 7. As a first step toward preparation, Mr. Harrison suggests that the bankers will put the full force of their organization behind a nation-wide movement to save.

In 1864, Mr. Harrison points out, Senator Sumner stated in an address in the Senate:

There is another field where the battle is bloodless, but scarcely less important. I mean the field of finance. If our pecuniary resources fail, it is doubtful if the army and navy must not fail also. But victory on the field would give triumphant strength and vigor to all the operations of the Government. There is no argument for the support of the army and navy, save, first, for the actual sup-

port of the Lieutenant General of the United States now in the field at the head of our military forces, which at the moment is not equally applicable for the support of the Secretary of the Treasury at the head of our financial forces.

"Evidence of the truth of this statement has been given a multitude of times since Senator Sumner uttered the words," said Mr. Harrison. "The financial end of war-making is the real power. The question which confronts us at this moment is, indeed, the question of finance. The United States is well able to perform its part in the destruction of the present German Government. What resources have we, what available capital for financing the war have we, is interesting to analyze. Truly our bank resources are huge; we hold an amount of gold greater than that held by the rest of the world.

"The transition period between a peace basis and a war basis registers difficulties. The possible encroachment upon industrial activity may ensue. There are only three ways by which the war in its initial stages may be adequately financed. It is ridiculous to assume that we can liquidate present securities in order to obtain capital for investment in war loans. Hence, the reduction of individual expenditure, the utilization of surplus income and hoarded wealth are consequently the only available sources.

"Bank resources are \$35,000,000,000. Of this, approximately \$19,000,000,000 must be used for the extension of credit and for the movement of commerce and trade; \$5,500,000,000 consists of savings and time deposits. In the large, these deposits are invested in the securities of railroads, municipalities, public utilities, and loaned on real estate mortgages.

"The accompanying map of the United States shows the various parts of the country where these funds are. The per capita savings in New England is \$260; in the Eastern States, \$152; in the Middle Western States, \$80; in the Western States, \$42; in the Pacific States, \$114, and for the whole country, \$91. Com-

pared with the per capita wealth, which is \$2,000, a very small proportion would be available to the individual from his savings for the purpose of war loan, being only about 4½ per cent.

"Referring to the wealth and income of the people of the United States and extending Professor King's figures estimating such wealth and income, the annual income amounts to \$50,000,000,000, which is 25 per cent. of the national wealth and a per capita income of \$500. It is estimated that it costs for bare necessities about \$8 a week for each person, the total, approximating \$42,000,000,000, leaving only \$8,000,000,000 for luxuries and surplus.

"Dr. Eliot recently stated that our annual bill for luxuries, such as intoxicating liquors, tobacco, automobiles, confectionery, chewing gum, and so on, amounts to \$5,300,000,000. This amount, deducted from the \$8,000,000,000, would leave less than \$3,000,000,000 from annual income for the current financing of industries, public utilities, municipalities, railroads, and other institutions. The normal amount saved in savings banks of the country is \$1,000,000,000 a year. The amount of life insurance premiums a year is \$700,000,000. Thus about \$1,000,000,000 may be available from the annual income of the American people. The possibility of accumulations of the American people being available for the purpose of war finance seems slim."

However, Mr. Harrison said that, comparing the income of the American people with those of the British Isles, France, Russia, and Germany, a new aspect of the question arises as will be seen from the following table:

Country	Wealth	Income	Debt	Population
United States	\$200,000,000,000	\$50,000,000,000	\$1,100,000,000	100,000,000
Per capita	2,000	500	11	
British Isles	\$5,000,000,000	13,000,000,000	19,000,000,000	42,000,000
Per capita	2,024	309	452	
France	50,000,000,000	6,000,000,000	17,000,000,000	39,000,000
Per capita	1,253	152	429	
Russia	50,000,000,000	5,000,000,000	13,000,000,000	175,000,000
Per capita	250	28	74	
Germany	75,000,000,000	10,000,000,000	17,000,000,000	66,000,000
Per capita	1,126	151	258	

"In the light of this comparison," he explained, "the possibilities of war finance in the United States are indeed remarkable. If Great Britain, with a per capita income of \$309, can have a per capita debt of \$452, most certainly the United States, with a per capita income of \$500 and a per capita debt of \$11, could raise an equal proportion to that maintained by Great Britain. This would allow a \$75,000,000,000 war debt of the United States.

"The comparison is valid when it is considered that the positions of the two countries respecting their financing of allies is similar. Of course, it is to be assumed that the Government by act of Congress can issue such a debt only over a period of years. The individual American will assuredly see the desirability of reducing expenditures and eliminating luxuries so that he can do his 'bit' toward war finance. He will come to the aid of the Government, not only in subscribing to the limit, but will patriotically bear the burden of taxation.

"A certain proportion of the financing of the war, perhaps 33 1-3 per cent., may be borne by taxation. If it were necessary, one-third of the huge amount, or \$25,000,000,000, could be raised during five years, or \$5,000,000,000 per year of war through taxation. This would be only 10 per cent. of annual income."

"There is no doubt," said Mr. Harrison, "that posterity should bear part of the burden, as was stated in a recent pamphlet on German war finance:

The burden of fighting and suffering weighs heavily upon the present generation. Posterity will enjoy the fruits: security and the possibility of free and unhampered economic activities. It is but fair that the future generation is paying in blood and

treasure. The cost of small colonial wars, such as occur in every generation, ought to be borne by the people who made them and profited by them, giving their successors a clean sheet to start all over again. During this world war the generation which has to bear the brunt of the fighting ought not to be saddled with any burdens it can be saved from.

"Its finance ought to be shaped from that point of view: to provide the nation with all the necessities of living and fighting, while the war goes on, without sacrificing future resources. War means destruction of lives and material. Whether the soldiers who lose their lives have drawn their wages from money raised by loans, and whether the material destroyed has been paid with borrowed money, is not the chief point at issue after war has once started.

"The chief object of sound finance is to diminish the loss of lives directly or indirectly and to restrict the destruction of material goods to a possible minimum. War finance, which can save the strength of the fighting nation, and which does increase its material resources, is sound. Little would be gained by making the immediate burden heavier for the sake of producing an improved financial balance sheet. No power on earth has adhered to these principles more systematically than England has in times gone by.

"There is no need of contemplation upon any condition in this country such as will obtain in the European countries after the war," said Mr. Harrison. "The huge interest charges and amounts toward sinking fund for the ultimate payment of loans doubtless will not be a problem of ours. We have had notorious trouble, largely on account of the reluctance of Congress to pay off even the debt contracted by the civil war. Our ability to pay is manifestly certain. We

could in short order get rid of \$1,000,000,000 or more Government obligations through an extra tax. It would, in fact, be merely 2.2 per cent. of one year's income.

"THE ANNALIST stated recently:

"None of the nations at war has raised as much as \$7,000,000,000 of actual new money at any one time, but none of the nations previously engaged in the struggle has been in as good a position as the United States to float a national loan. None of them is as rich as this country; we have been adding greatly to our resources while they have been drawing on theirs. The ease with which this country can raise \$5,000,000,000 will be a revelation to our enemies and a surprise even to our own bankers, who, despite the wonderful showing made by some of the nations long at war, do not yet realize the enormous financial power of the United States.

"It is hardly realized," continued Mr. Harrison, "that in New York City there are resources in fifty-nine savings banks amounting to more than \$1,500,000,000, and only one-third of the people have savings accounts. No particular effort has ever been made by these New York banks to promote saving on the part of the people. Consequently, if a real effort were made, with the added stimulus of patriotism, I dare say that another \$1,500,000,000 could be raised in a relatively short time.

"New York City is notoriously spendthrift and the curbing of expenditure, the elimination of waste, would add tremendously to accumulation available for war finance. This is merely an example of what it may be possible to accomplish.

"When the Government was seeking \$1,000,000,000 for the financing of the civil war it looked to Jay Cooke, as general subscription agent of the Government loan, to secure the funds from the pockets of the people. Needless to state, the amount was raised. Surely, if in a short space of time the British War Loan Committee could raise \$500,000,000 in Glasgow, much more could be obtained in any of the large cities of this country.

"If some one had suggested in August, 1914, that the British Government make a war loan of \$5,000,000,000, it would have been impossible of consideration. It was almost three years before it realized that it was possible. In this country Congress had hardly been called for extra session before \$7,000,000,000 was thought of as an initial loan. Yet it created very little stir in financial circles. Bankers without hesitancy approved it; it was a matter of mere passing interest, of every-day business—a necessity.

"Is there any definite cause for such an attitude? Is it because of our tremendous wealth? Is it because we are confident of tackling any proposition so long as it is big? Or is there a more substantial reason? Perhaps we will find out in time to come that the wise men who are efficiently managing the business of the nation realize the necessity of maintaining international equilibrium. Then, too, it does not take any great degree of analysis to find out that the war account of the United States justifies such an attitude.

"The difference between the curve of the normal increase in income and the sharp rise of the war increase in income would readily prove that profits have been huge. Hence, it may mean very little to this country to borrow, in the first instance, such a great amount. It is easy to see that our loyal bankers will co-operate to the limit of their ability and the wholesale distribution of war loan securities will be of little significance.

"In the second place, patriotic American citizens will, without the shadow of a doubt, take up the securities when they are distributed. This, too, without the necessity of withdrawing funds from savings banks or liquidating their present holdings of securities.

"When the Government gets ready to move it will find the bankers prepared patriotically to support and even to sacrifice for the cause.

"With an incentive born in patriotism, the American public will save to a greater extent than ever before. It will conserve, it will economize, it will use every effort in order to bring its gigantic resources to the support of the Government. The American Bankers' Association, which is composed of 16,500 banking institutions, has an organization for the promotion of thrift which is efficient and effective. It is of fundamental importance that every citizen observe this fact; that patriotism begin with the saving of money, and that hearty co-operation is desirable to the success of the financial measures that will be presented."