the country could have maintained their solvency; and with such a collapse of credit as would have ensued the raising of the money necessary for the prosecution of the war would have been made infinitely more difficult, if not impossible. But with the revival of railroad credit, under Government control of the transportation systems, shrinkage in values was checked, the money markets were stabilized, and the enormous success of the third and fourth Liberty loans was made possible.

The President's proclamation taking over the railroads of the United States was followed by the passage of the railroad act of March 21, 1918, appropriating $500,000,000 to aid in financing these roads. To December 1, 1918, the Director General of Railroads reported that he had advanced to the railroads under his direction and the owner corporations, for the purpose of enabling them to meet operating deficits, to pay for new equipment required, and to enable them to continue the payments of interest, dividends, and other obligations, the sum of $316,206,000.

All realize that the maintenance of the efficiency and credit of the steam railroads of the country is of supreme importance. They represent our greatest single industry. Unless they are kept in a condition to perform their functions adequately and regularly every interest in the country will suffer. The railroads are, by far, the largest consumers of the products of our great basic coal, steel, and iron industries, as well as of the products of the forest; and they employ, directly in their service, an army of more than 2,000,000 men, regardless of many millions more whom they indirectly support. For the current year of 1918 the railroads of the country will expend from their receipts, for wages and materials used in operation and construction, more than $5,000,000,000 by the latest estimates.

How these roads shall now be enabled, on a basis of efficient management, to obtain rates for the movement of freight and passengers sufficient to enable them to pay their actual operating costs and produce enough net earnings to yield a fair return upon the capital invested in them, is the problem which this country is now called upon to solve, and upon the right solution of which our future prosperity will largely depend.

Banking Power of the United States.

The banking power of the United States in June, 1918, as represented by capital, surplus, and other profits, circulation and deposits, in all national banks and reporting State banks and trust companies, together with the estimated amount of funds of this character in nonreporting banks, as well as the paid-in capital, Government and reserve deposits, and Federal reserve notes in circulation as shown by the statement of the Federal reserve banks as of June 28, 1918, was $39,082,800,000.

In June, 1917, the estimated banking power of the United States was $34,473,100,000. The increase for the current year in the banking power of the country as thus defined is $4,609,700,000, or 13.37 per cent. The estimated increase in 1917 over 1916 was about 17 per cent.

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Banking power of the United States, June 29, 1918.

[Money columns in millions.]

	Number of banks.	Capital paid in.	Surplus and profits.	Deposits.[1]	National bank circulation and Federal reserve notes.	Total, June, 1918.	Total, June, 1917.	Increase over 1917.
National banks	7,705	$1,098.6	$1,209.7	$11,219.5	$681.6	$14,209.4	$12,624.3	$1,585.1
Reporting State banks	21,175	1,253.0	1,509.3	17,774.6	.....	20,536.9	19,459.1	1,077.8
Nonreporting private banks (estimated)	2,600	45.0	27.1	405.0	.....	477.1	530.0	[2] 52.9
Total	31,480	2,396.6	2,746.1	29,399.1	681.6	35,223.4	32,613.4	2,610.0
Federal reserve banks[3]	12	75.8	1.1	2,049.9	1,732.6	3,859.4	1,859.7	1,999.7
Grand total	31,492	2,472.4	2,747.2	31,449.0	2,414.2	39,082.8	34,473.1	4,609.7

[1] Includes dividends unpaid, postal savings and United States deposits but not amounts due to banks except in case of reserve deposits of member banks with Federal reserve banks.
[2] Decrease.
[3] June 28.

Since June, 1914, the estimated banking power of the United States has increased from $24,340,000,000 to $39,082,800,000, a gain of $14,742,800,000, or more than 60 per cent in the four-year period.

For the preceding four-year period, or from June, 1910, to June, 1914, the gain was only 15.63 per cent, or from $21,049,000,000 to $24,340,000,000.

The banking power of the United States alone to-day is nearly 2½ times as great as the banking power of the world as it stood in 1890 when Mulhall's estimate placed the world's banking power at $15,985,000,000, and the banking power of the United States is now more than seven times greater than Mulhall's estimate of our banking power in 1890, when it was estimated by him at $5,150,000,000.

Balance of Trade in Our Favor for War Period Is Gigantic.

The value of the merchandise exported from this country for the past five years covering the war period (December, 1918, being estimated) reaches the huge total of $23,462,191,652; the value of our imports of merchandise for the same period (December, 1918, again estimated) was $11,881,973,986, making the balance of trade in our favor for the period, $11,580,217,666.

In payment of this we have imported into this country more than a billion dollars in gold from debtor nations, and to represent the balance due us, we have taken the short-term obligations of these debtor nations for approximately $10,000,000,000, of which $2,000,000,000 is represented by the bonds and obligations of foreign nations placed with individuals, banks, and other corporations in this country, and $8,000,000,000 is represented by the notes or bonds of foreign Governments to the United States Government.

The following table shows our exports and imports of merchandise for the past five calendar years, and the excess of exports over imports:

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