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Responsibility of the Banking System in a Capitalistic Democracy

1. What has been accomplished under our economic and political system. New York exemplifies progress and achievement; to preserve system and make it greater success is joint responsibility of banking, business, labor, agriculture and government.
2. Nature of capitalistic democracy; profit-motive economy; we must first understand it before we can hope to make it work; every stimulus must be given to private enterprise; Government's role is that of coordinator, to reconcile conflicts, correct abuses; it must not use punitive, coercive means which stifle private initiative.
3. Democracy challenged only because it is not functioning to produce maximum of which it is capable; millions idle; for nearly 10 years national income far below what it could and should be.
4. We have the three essential elements, man power, natural resources and capital in greater abundance than ever. What is lacking is understanding of how to combine them into maximum production under our system. Under this system, laissez faire impossible; planned or managed economy that means regimentation equally incompatible with our system.
5. Way to meet challenge to democratic capitalism is to make it produce and distribute more; government should do all possible to stimulate maximum private activity on which we must always rely for great volume of employment. Then if private employment is inadequate government has responsibility to provide for surplus. This not only humanitarian, but has compensatory economic benefit to business, industry, banking, protecting investments and hence savings and depositors.
6. Bankers must recognize their function; not merely safe deposit or making loans; banking system creates money, vital to production; liquidation after 1929 brought general disaster, destroyed investment, savings—though interest rates were high—and did not protect depositors. Government, as collective agency, only one able to stop deflation, replenish deposits and revive buying power which in turn protected savings and depositors.
7. Banking system can create money but that will not of itself stimulate production dependent on buying power.
8. Banks cannot provide own liquidity unless limited to super-liquid paper; not enough of this to support banks; Reserve System alone can provide liquidity, as after 1929; Banking Act of '35, Regulation A, and revised bank examination and investment policy recognize this, and thus open way to banks extending type of credit needed today such as amortized term loans; otherwise, government will usurp field.
9. Remedy for low bank earnings is same as in industry, to broaden market, rather than high rates—out of line with public ability to pay—on restricted output.
10. As for taxation, real concern is what is left over after paying taxes; British example; this proves solution is maximum employment and production which means maximum national income making possible budget balance and surplus, and leaving more after taxes. We must not repeat mistakes of past, cutting down public flow of funds before private flow able to bring national income up to high level.

11. Leaders of today must approach problems from broader standpoint, and understand interrelationship of all these economic problems, which are not political. Must recognize that government in a democracy cannot let nature take its course; should support policy aimed at full private activity. Should consider flexible budget, deficit-spending, close integration of monetary, fiscal, taxing policy as only logical alternatives to breakdown of our system or to regimentation or dictatorship.
12. Bankers must be willing to adapt mechanisms to meet changing conditions; better coordination of banking system needed. No reason, except failure to understand how our economy works, why capitalistic democracy cannot achieve even greater results.