

WHAT PRICE PROGRESS?

ADDRESS OF H. EARL COOK, DIRECTOR, FEDERAL DEPOSIT INSURANCE CORPORATION, BEFORE THE ANNUAL CONVENTION OF THE NATIONAL ASSOCIATION OF SUPERVISORS OF STATE BANKS.

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Mr. President, Members of the Association, and friends:

Many years ago, Samuel Johnson, one of the most keen observers of our curious world said, "Life must be always in progression. We must always purpose to do more or better than in time past." Boswell, Johnson's biographer, quotes his subject as saying further that: "Life is progress from want to want, not from enjoyment to enjoyment."

Through the ages progress has been achieved by the price mankind has been willing to pay for its attainment. When God gave man life, He imbued him with the mind and the ability to advance his station, gave him a provident world in which to live, and offered the chance to use his own efforts to add to the heritage with which he was endowed.

Primitive man soon learned that his cave in the rocks was not a comfortable place to live. He learned to utilize fire for warmth and abundant forest products for more serviceable shelter. He invented the slingshot, then the axe, then the spear, then the bow and arrow so that he might provide food for his family and the skins of beasts with which to clothe them.

The ever-present "want" led to ever-increasing skills. It prodded ingenuity, it stirred curiosity and, even in those early days, a man's lack of ambition or ingenuity was subject to the gentle but insistent stimulus of the lady of the house.

As a consequence, mankind progressed, and each generation made its contribution, however small, to the advancement of the human race.

Jealousy between families and then between nations was the natural aftermath of progress in any area. The

spitefulness which this engendered turned all too soon into the bloody bickering of feuds, then into banditry and, finally, into the horror of war.

While wars have created chaos and have caused unspeakable suffering and privation, they still have left in their wake a determination not only to repair and rebuild upon the foundations of the past, but also to advance to a better and more secure life. Phoenix-like, new wonders have arisen from the ashes.

Today's streamlined trains, its radio and television, its conquest of the air and the sonic barrier, all have their foundation in the "want", the curiosity, and the ingenuity which have prompted men to explore and to experiment for thousands of years. However, the men who did the exploring and the experimenting, no less than the millions of people who today benefit from their labors and ideas, would still be

in the primitive stage were it not for men and institutions which financed the experimentation, the development, and the distribution.

In my library I have a book entitled "Banking Through the Ages". It is most interesting to follow the development of banking as an industry. Back in the earliest recorded days, when our ancestors roamed the plains and when a cow or an ox was the standard medium of exchange, the crude cattle pens in which these forerunners of our modern currency were confined became, in effect, our first banks. Indeed, our own word, "pecuniary" is derived from the Latin word pecus, meaning cattle.

Between those primitive cattle pens and the towering citadels of modern finance stretches a romantic story that epitomizes the upward struggle, not of a calling alone, nor of a people alone, but of all of human civilization.

The pyramids of Egypt, the Temples of Greece, the Street of Janus in Rome, the palaces of the Medici all were and are repositories of artistic and cultural treasure and symbols of the ideals of their peoples. As centers of financial activity, however, they were more particularly reflections of the trade, the commercial relationships and the international amities that in our own day find their loftiest expressions in the magnificent structures that house the great financial institutions of the world.

The history of the American banking system is unique in that it does not follow the outmoded traditions of the past. It was created and is being developed steadily by the American people, iconoclasts though we may be.

Nevertheless, our flexible banking system may take great credit for making the American Industrial system the greatest in the world. Today, all friendly nations of the universe

come to our shores for financial assistance to reach goals of international security and well being which they alone could not attain.

It has been aptly said, "We see dimly in the present what is small and what is great". Inspired by the infinite wisdom of an Almighty God, our forefathers translated into action those things which they saw clearly in the past.

What you and I now see dimly could be translated into something great for the future.

The history of our early days of banking is filled with narrations of trial and error.

After the Revolutionary War, our Nation was bankrupt, but as Victor Hugo put it, "Would you realize what Revolution is, call it Progress; and would you realize what Progress is, call it Tomorrow!"

At that time, the Government itself was in utter

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confusion until the leadership of great men like Washington, Franklin and Jefferson brought out of chaos a system of government which, through constant progress has brought us not only to world leadership but also to an unequalled level of domestic financial stability.

It took the trying days of the Civil War to bring into being the national banking system. Following that conflict, judicious procedure and legislation enabled the State banking systems not only to hold their ground but also to gain strength and influence. As a consequence, we now have a dual banking system which provides an incomparable system of checks and balances and which finances the most tremendous economy the world has ever known.

This is the most efficient banking system in the world. It not only is capable of financing national needs, but is instantly responsive to local needs in the communities where

our thousands of independent banks operate under the dual system.

National banking laws are designed to meet basic banking needs in any State in the Union. State laws differ to meet specific conditions and economic situations within their boundaries.

It is most healthful that under this American system of free enterprise banks may choose the type of charter under which they wish to operate. Our banking system is not yet perfect, and perfection may never be attained, but each day we can strive to improve our system, and to make it more responsive to the needs of the people and of the Nation.

That is progress.

The banking system has undergone many stresses and strains. From its swaddling clothes it crept through the emergencies of the Civil War, stumbled over the Panic of 1873, waded



through the difficulties of 1893, survived the short-lived panic of 1907 and the uncertain days of the First World War, took a nine-count during that greatest catastrophe of all -- the breakdown of the early thirties -- but still came out swinging to go on to the championship.

The breakdown of the early thirties, of course, brought to a focus the demand which had existed for many years for a system of deposit insurance to protect depositors in our banks. The flexibility which made our banking system great also involved the risk of bank failure in the event of local or national catastrophe. In most cases these failures brought not only ruin or distress to individual depositors but drastic damage to the communities where they occurred.

You may not realize that the first legislation for Federal insurance of bank deposits was advocated in 1886. In

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all, 150 bills were introduced into the Congress for the purpose of providing deposit insurance before enactment of the Banking Act of 1933.

By that time, after a period of 17 years which had seen 15,145 banks fail, Congress felt compelled to act in the national interest and created Federal Deposit Insurance Corporation.

For many years the Corporation operated under provisions of the Banking Acts of 1933 and 1935 with results that are familiar to all of you.

A basic rewriting of the law was enacted a year ago, on September 21, 1950. Every change incorporated in this Act, the Federal Deposit Insurance Act of 1950, is positive in that its major objective is the protection of depositors in insured banks. It is for the welfare and the best interests of depositors that the Corporation was brought into being

and it is for that same purpose that the Corporation, its personnel and its management devote their efforts and attempt to carry out the purposes of the law and the intent of Congress.

The stability and solvency of our banking system must continue to progress. Another 1933 would spell the end of our dual banking system and would deprive our people of the elasticity and the convenience with which they now are served.

Since Federal Deposit Insurance Corporation insures all national banks, all State Banks members of the Federal Reserve, and the great majority of State banks not affiliated with the Federal Reserve, its scope of operations is nation-wide. Consequently, our relations with the several supervising authorities need to be close and our activities coordinated.

Almost without exception, our relations have been most cordial and profitable. Some differences arise, of course, but they are mostly minor. We all realize, I believe, that

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our primary objective is the same -- to promote the standards of banking practices for the protection of the depositors and the banks themselves.

The effectiveness of our joint efforts is shown in many aspects of recent banking history. Note, for instance, that from 1917 through 1933 we had in this Nation 15,145 bank failures, of which 12,416 were State banks; during the seventeen years since inception of Federal deposit insurance, there have been only 341 banks placed in receivership, 319 of them State banks.

Fear for the future of the dual system of banking is dispelled by the fact that during the period from January 1, 1946 through August 31, 1951, 575 of the 654 banks admitted to insurance were State-chartered banks. Like all of you, we not only advocate the dual banking system, we also work constantly to perpetuate and to improve it.

When it was created, the first duty of Federal Deposit Insurance Corporation was to restore the confidence of the people of this Nation in our banks. That, we believe, has been accomplished. Now the duty devolves to maintain that confidence, and that we can do only with the cooperation of all supervisory agencies. We all have common cause and we are untrue to our trust if we, for one moment, relax our vigilance or deviate from sound principles of operation.

We of the Federal Deposit Insurance Corporation are keenly appreciative of the fine support we have had from the State supervisors and the officers of their national association. We, in turn, stand always ready to cooperate in the interest of sounder banking and depositor safety. The record we have accomplished jointly speaks for itself.

Andrew Lang, in a cynical mood, wrote some lines a few years ago. They speak soberly and severely of what might

have been in the banking field:

"When we have cut each other's throats  
And robbed each other's land;  
And turned and changed, and lost our coats,  
Till Progress is at stand;  
When every 'Program' has been gone through  
This good old world will wake anew."

Instead of this impasse, you State supervisors and we in Federal Deposit Insurance Corporation have established a record of which we all can be proud. We share the sound sleep enjoyed by 100,000,000 depositors in insured banks. The banks of our Nation are sound beyond precedent. For this, we have all paid a price, in effort, in compromise, in years, and in good hard work.

To me, and I believe to you, the Progress is worth the Price.

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