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ADDRESS OF THE COMPTROLLER OF THE CURRENCY, D. R. CRISSINGER,
BEFORE THE LOUISIANA BANKERS ASSOCIATION AT NEW ORLEANS, LA., TUESDAY
APRIL 19, 1921, AT 8 P.M.



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GENTLEMEN OF THE CONVENTION:

I have come here to make a friendly visit and offer a word of cheer to the people of the South. I do not intend to tell you bankers how to run your banks. I suspect that you have had quite too much of that in the past to be to your liking. The fundamentals of banking are ^{as} old as banking. The application of the principles of banking are often necessarily different in remote parts of the country from financial centers. New York and Boston requirements are often impossible to the country banker. My mission, however, would not serve its purpose or be complete if I failed to give you my assurance of good will and friendly interest. I want to take this occasion to say to you and all of the bankers of the South that the latch-string on the door of the Comptroller's office is hanging on the outside only awaiting your neighborly and friendly pull. It is there for the country and the city banker alike. I want you to know and feel that full understanding will be my aim. Your troubles, if you report to my office, if you have any troubles, must often necessarily be my troubles. I want you to understand that you will always find me ready and willing to give all assistance consistent with good banking. It shall be my aim and purpose to at all times assist the honest banker and I want to assure you that I am starting out my administration with the belief and faith that bankers as a class are of the highest type of our citizenship, honest and conscientious in the administration of their trust. It seems to me that it is almost criminal to have strained relations between the National Bankers and the Comptroller. There should be instead such a fellowship and brotherhood in our relations as will promote for the country a safe and efficient banking system. This will be my aim and I trust that you will unite your efforts to bring about this achievement.

~~GENTLEMEN OF THE CONVENTION:~~

I strongly suspect that I am addressing a gathering in which the majority will sympathize with me when I confide to you that I am a country banker. I acknowledge the corn, or, as perhaps you would prefer down here in Louisiana, the cotton. Corn or cotton, nowadays, it brings a vision of troubled days and worried nights to the country banker. For I undertake to say that nobody lives so close to the grass roots, nobody is quite so intimate with the community about him, nobody is so near to being the trouble operator for the whole exchange, as the country banker. And, gentlemen, when the country banker suddenly finds himself transplanted into the comptrollership of the currency and an ex-officio membership on the Federal Reserve Board, he achieves a prompt and emphatic realization of the vastness of this exchange.

He has always understood that the currents and tides of business the world over are a unity, a balanced system; but until he gets caught up in the sweep of their bigger forces, compelled to regard them as a whole, he may have missed the full realization of that essential unity. I have liked to think of the parallel between the tides and currents of the mighty oceans, and the movements of economic forces that answer to the law of supply and demand. We know that a universal system of tides and currents equalizes for our planet the operations of the attraction of gravitation, the disturbing influences of varying temperatures in different zones. Their constant operation keeps the sea at a mean level from which departures are insignificant; and in doing so they save our physical world from strains and stresses, from tidal waves and inundations, that otherwise

would produce vast and cosmic disasters.

It is precisely the same, in this day of the world-wide neighborhood in economic and financial affairs. Nature abhors a vacuum, and so does the economic world. You can't get much out of a vacuum, and you can't prevent things outside it from trying to get in. True, there are tidal waves, caused by momentary disturbances of the balance; but they never interfere for long, or, if we view them broadly, very seriously, with the scheme of things. Likewise there are times when the compensating forces that maintain the balance of atmospheric pressures and temperatures are shifted out of gear for a few minutes, and then we read of a cyclone. But a cyclone, though painful to the people who get tossed about in it, and annoying in the extreme to the modest rooster who finds himself called upon next morning, with all his feathers blown off, to clarify his greeting to the dawn of a normal day, is a pretty temporary and casual incident when compared to the mighty scheme of atmospheric currents and pressures that on the whole maintains the atmospheric equilibrium of the planet.

It is indubitably true that when one finds one's self grabbed by the cyclone and pitched over into the next quarter-section, one's convictions about the scheme of cosmic equilibrium sustain, for the time being, a distinct shock. One doesn't note anything about except debris and agitation, and it is all very disturbing to that philosophic calm in which we all realize that departures from normal are rather unimportant. Nobody knows, better than the banker, the broad laws of compensating currents, balanced forces, adjustments and readjustments, that prevail in the business world. But, because he is very certain to

be at the precise storm center when the trouble starts, the banker also gets the most acute apprehension of the discomforts that attend temporary suspension of the rules.

We all know that the war and the subsequent interregnum that was neither war nor peace, did decidedly suspend the normal laws of trade, finance, exchange. These have not yet resumed their sway. We have had overproduction of credits and of printed money, underproduction of pretty nearly everything else; and along with these has gone an interruption of physical transport and financial exchanges that has depressed the capacity to consume and thus left the appearance of excess production even in lines in which there was nothing of the sort.

This precisely is what has caused the crisis in American agriculture. We confront demands for relief from every quarter. Middle Europe, the Near East, China, Ireland - all stand in need of the staples that we possess but cannot sell because those who most urgently need them cannot buy. They have neither money that is worthy of that name in international transactions, nor credit, nor goods to send in barter. Even in our own country, whose vast market must always be our main reliance, there has been something like a consumers' strike against high prices. So, facing all these depressing influences, the producer who turned out goods and staples in a time when prices were high and war-time's feverish demand seemed unlimited, finds himself unable to sell; credits are frozen, and their process of thawing is going to be slow, depending on the rise of the sun of peace, and the warmth with which it shall shine on a shivering world. Men's minds still run too much to war, too little to work. The fear of further conflict causes the continuance of barriers against those long-established and easy exchanges on which

great communities have come to be dependent; even, in many cases, the strengthening of old or the erection of new barriers.

There are features in connection with the entire business of International Trade, that are entirely changed by reason of the war. It may be doubted whether we Americans have given enough attention to this re-shaping of the commercial map and business methods of the world. During the war it became necessary for governments to effect great consolidations of business and to place government credit, shipping, fiscal and even diplomatic authority to a great extent at the disposal of business. Governments created buying and selling agencies that dealt in the necessities of both the government and ^{the} private industry of the country. This was necessitated in order, somewhat to prevent the excessive inflation of prices. The buyer who went into a world market with authority to purchase a particular line on a huge scale of a great nation's demand, and with the financial responsibility of that nation at his back, was in position to insist upon terms, and to evade payment of the excessive prices that competition might have imposed. At a later stage, these buying organizations were even internationalized. A single buying authority was sent out to survey the markets of the world, and to buy on behalf of governments, and then to allocate to the different national partners in the enterprise their respective shares. This concentration of purchasing power made it possible to play off one against another, so that, although prices increased rapidly, their inflation was not nearly so great as it might have been, if there had been complete freedom of competition. A familiar example may be found in the iron and steel industry. In the early stages, different departments of a single

government, as the Army, the Navy, the Shipbuilding authority, and the Munitions organization, found themselves bidding against each other for supplies of iron and steel. Later, when it came to be realized that the war was likely to be won by the side which most effectively mobilized the industrial capacity of the world, means were devised to prevent this expensive competition. Thus came the beginning of price control. At a later state, international buying succeeded national, that is, the allied nations to a considerable degree pooled their requirements and the international agency, representing, substantially the consolidated demand of the entire world, succeeded the merely national authority.

This procedure we all recognize as having contributed greatly to the victory of the allies. Under their war powers, governments rigidly restricted the use of materials by private business. The manufacture of luxuries was ruthlessly limited in order that necessary material might be conserved for the war industries or those lines of production which were esteemed necessary to the civil life of the community.

I am firmly convinced that when the economic story of the war can be written in detail, it will be recognized that by its participation in this sort of an organization, the United States made one of the greatest contributions to the allied cause. When our tremendous agricultural and industrial, and raw materials capacity, was once effectively consolidated and then cast into the service of the common cause, the Industrial mobilization of the world had been pretty much effected. Not only was the cause of the allies assured that the entire producing capacity of America was available, but it was also assured against the necessity of paying those extreme prices which open competition might have enforced in such an exigency; and, finally, it was assured the financial support

of the consolidated credit of the richest nation in the world.

All this was a mighty contribution yet the winning of the war. But it produced an inevitable reaction. Business men and organizations were irked at realization that they were under powerful restraint; that they were not free, as in other times, to charge all that the traffic would bear, and to earn the highest possible profit. It is true that the system of control was organized on the whole, on a liberal basis. Profits were in many cases unprecedented in volume; but the other side is, that if there had been no such control they would have been still greater. For the purposes of our present survey of world conditions it is not necessary to consider so much the reasonableness or unreasonableness of the profits, as to get our minds firmly fixed on the facts and implications of this system of national and then international control. It is a very big and potent fact, but not always an entirely patent one. Men were entirely willing to endure inconveniences and restrictions so long as the war was going on, and the great supreme business of winning inspired them with willingness to make sacrifices of their independence and their business opportunity. But the very moment the war was over, the victory won, there came the inevitable reaction, the demand that "The Government get out of business", and that the old rule be reestablished.

Nowhere was this demand emphasized as in the United States. We had not been in the war so long as our allies. The war had never been so close to us as to them. The supreme necessity to win had never been impressed upon us so tremendously as upon them. Moreover, in the first two and half years of the war, we had not participated, but had been free

to earn as great profits as might be possible, from the necessities of those who later became our allies. All these things united to give particular insistence to the demand that governmental restrictions be removed just as rapidly as possible.

Unprepared for peace as we had been for war, our government listened perhaps, too willingly to these demands. The instrumentalities of integration and centralized control were "scrapped" with altogether unnecessary haste. We might well have stopped, looked and listened; have noted what our allies, and indeed others, were doing in this regard. But we did not; we assumed that we might return to peace methods and basis immediately and without great difficulty. It was only when we had discarded the entire fabric and structure of war-time restrictions, and returned to the rule of Laissez-faire, that we realized that others had been less precipitate. De-control was not esteemed in other countries the instantaneous sine qua non to reestablishment of peace. Their more urgent necessities, their comparatively very much greater impoverishment at the end of the struggle, impressed them with the necessity of projecting for an indefinite period into the era of peace, the methods which had proved efficacious in time of war. So it came about that American business found itself presently, decentralized and decontrolled, under the necessity of competing in world markets that continued to be dominated by the same highly organized and centralized forces that had ruled during the war. We found ourselves back on a competitive basis, seeking to sell in markets that had not yet been restored to that basis; and the results for us have not been altogether satisfactory.

Europe in dealing in its highly organized capacity with our competing sellers, was able progressively to depress our prices.

Another and perhaps equally important factor in the situation was the release of ships. So long as ships were scarce and requirements imminent, such ships as were available had to be used on the shortest possible routes. During the war, it was not a question of price, but of getting the largest possible tonnage moved in the shortest time. So, the more distant markets were nigh deserted and the United States was called upon to provide everything possible, while other countries piled up great surplus of their staples against the day of peace. When peace came, and it was possible for ships to be sent over the wider seas and longer routes, to get the cheaper goods from more distant parts, the highly organized buying agencies of needy countries quite naturally tended to desert us and to buy elsewhere if they could make better terms or secure lower prices.

The depressing effects of this upon our international trade, were not immediately felt because our financial position was so strong. Europe was compelled to buy where she could get credit. We were able to give credit, and we did give it. Our business men extended private credits to the extent of hundreds of millions, then of billions of dollars. But the time inevitably came when this could not go on, and then for the first time we stood on a basis of parity with others who had the goods with which to compete and who could give credit. This climax in the situation was hastened by reason of the disadvantageous exchange rates, which tended to make every country seek to buy from some other country whose money was cheaper. As we had the dearest money in the world, which means the best money, the money next to parity with gold,

we became the country with which it was most difficult to do business. The consolidated buying agencies of Europe found themselves in a position to take their trade elsewhere, and to a considerable extent they have done so.

But we would be seriously mistaken if we should conclude that this is a condition that must inevitably continue to our disadvantage. The close integration of Europe's buying and selling organizations has been possible only through the maintenance of a considerable degree of government financial responsibility. More or less indirectly it is true, but none the less effectively, governments have been underwriting the international business of their nationals, in order to bring about the earliest possible rehabilitation of trade, and to provide employment for their people. Raw materials have been provided at very low prices, to be turned into manufactured products for the world's markets. The manufacturer who is privileged to utilize these very cheap materials, may be able to turn out products, for a time, that will undersell ours in the world's market, and yet net him a modest profit. But the other side of the ledger is to be seen in the financial statement of the government budget. When we turn to this, we find deficits which, if we thoroughly understood them, would explain how the national Treasury has been losing by the policy of subsidizing industry and expanding trade. This sort of thing cannot go on always, there is reason to believe that it cannot go on much longer. It is an unhealthy economic condition, from which on the whole we have been immune.

There are some other conditions that have operated to our country's disadvantage. The long delay in making peace, due to political

conditions that are thoroughly familiar and do not require discussion here, has been prominent among these. But we look forward with much confidence to a near future in which peace will be restored to our country and the interference of war laws with the processes of commerce will be ended.

This will, I am confident, react favorably upon the relations among other nations and tend toward the earliest possible resumption of peace conditions. There is the best of reason for believing that the recent announcement of this country's support of the allied powers in enforcing the payment of proper reparations by Germany, will speed up that settlement on which so largely depends the restoration of security, the balancing of budgets, and the establishment of financial assurance in Europe.

But we must recognize the big facts in this matter. One is that European rehabilitation must be slow and its reflection in more favorable business conditions very gradual. The other is that our own country presents to us the market in which we must always do most of our business and on which we shall chiefly depend for establishment of industrial prosperity. There is plenty of consuming capacity here, if we could only make it possible for the potential consumers to buy those things they would be glad to consume. If we can find means to keep our own people working, producing, earning, they will spend their earnings buying the things they have produced, and we will presently see the tides of prosperity running stronger.

I am not among those who greatly fear a so-called unfavorable

balance of international trade. I have never been able to understand the reasoning of those who would have us believe that if other peoples send us more goods than we send them, we are being impoverished. It seems to me that we are much of the time rather being further enriched. Neither am I one of those who note with complete satisfaction the tendency of the world's gold to bank itself up on this side the Atlantic. There is a certain sort of reasoning on these subjects that, if carried to its final conclusions, would have us believe that if we never imported anything, but always exported heavily, we should be getting rich at a tremendous rate. Because, they seem to believe, we would compel the outside world to keep on everlastingly sending us its gold in payment for our goods; and that, in this process of reasoning, ^{is} regarded as the summum bonum. To me, it has always seemed that if too much of the gold got piled up in one place, there would have to be too little in other places. Gold is not particularly useful as an article of diet or clothing or housing. Its function is to provide a generally accepted basis of the money systems on which exchanges depend; and when one country's system is inflated with too much gold, others must be inflated with paper whose relation to gold will necessarily be vague. So there will be difficulties about exchanges; the dollar, with the larger reserve of gold back of it, will be out of joint with the pound, the franc, the lire, the mark, and thus the very international exchanges that a gold standard was intended to facilitate will be hampered.

Let me make application of these observations to our present business situation. If I am correct in the impression that we need to keep our machinery of production working, then we must do everything

possible to enable our farms and mines and mills to keep busy. We must help our own people to be able to buy their products. We must also help the outside world to maintain a money system in such relation to gold that exchanges will be possible. Therefore, as to the domestic problem, we must extend, through our financial instrumentalities, every encouragement to the producer. The farmer must be assured, right now, that in his effort to buy fertilizers and seed and implements and labor for the next crop, he will be given the fullest support, the broadest credit, that can possibly be extended through the banks, and that the federal government and its banking structure will stand squarely back of individual banks that wisely and in moderation extend necessary credits for these purposes. Credit as a basis of production there must be; credit as an incentive and means to mere unproductive speculation, there must not be. I can say to you bankers, and to the great agricultural community behind you, that this is and will be the policy of those responsible for the supervision of national banks.

It would be difficult to name an American industry that so thoroughly deserves or so safely could be extended assistance at a time of temporary stress as that of cotton production. For many decades our exports of cotton have been responsible for keeping us in secure possessions of a favorable trade balance. You people of our South produce, I believe, about sixty percent of the entire output of the world. Without you, the civilization of the Temperate Zones would be impossible, because without you, people would be going naked, and it never has been found feasible to maintain a highly cultured state among folks who chase about in winter time in openwork beads and diaphanous smiles. The world's shelves and warehouses are just about denuded of those goods which represent your great agricultural industry. Consumers have been more or less on an enforced strike, but they must come back into the market and they are already doing so. The continuance of the world's great and increasing demand for cotton and cotton fabrics is just as certain as the continuance of civilization itself. You may take it from me that those who are vested with some measure of authority to guide the broader financial policies of this country have a fairly accurate conception of the vital necessity to encourage and sustain the production of our cotton crop and of every other agricultural staple. They are determined that in behalf of American industry there shall be exerted whatever power and influence may be necessary to bring this vital industry back to a basis of assured prosperity. I do not want to be understood as suggesting that government can be relied upon to do

the things that private enterprise, thrift and effort must do, but I am willing that you should very definitely understand me to mean that every possible support and encouragement, consistent with sanity and soundness, based on the consolidated credit and authority of American business and the American government, will be held out in this time of trial and stress.

It is useless to worry now about the grists that might have been ground with water that has already gone over the dam. Not much will be gained by dwelling upon the omissions of the past, the failures to deal in proper time with the great problems that related to the restoration of peace and peace conditions in a disorganized and distorted world. It is enough for the present to say that, although indeed tardily, those problems are going to receive the most prompt and intelligent attention that can be given to them.

Among all our American staples, perhaps none is so important in international trade as cotton. There is no continent, there is no significant country, that can hold itself independent of America as to its requirements of this American staple. They must all come to us. Our market is as wide as the world. Therefore our ability to sell must largely depend upon the ability of the world at large to buy. In this regard there has already been set afoot a renewed effort through instruments of the government and also through private financial agencies, to aid in extending the larger and longer credits that are needed in order to enable foreign buyers to continue taking our products. These efforts you can be assured will receive every feasible and safe encouragement. I am confident that the readjustment of affairs in Europe and in the world at large gives gratifying promise of moving forward in the near future more rapidly and on safer lines than at any time since the armistice. This is particularly justified in view of recent demonstration of the

solidarity of this nation with its allies on the other side. The settlement of problems connection with the indemnities assessed by the peace conference would be a long step toward a proper fiscal and economic adjustment in the old world. With that readjustment there will come a reduction of public burdens in all countries, freeing of industry from those forms of government control that have been holding it, and the resumption of something nearer of what we think are normal conditions. This is absolutely necessary. Governments and armaments have been costing too much. We see ahead the hopeful prospects that they will presently begin to cost less and continuingly still less; that the burden of taxation on industry and production will be progressively lessened; that therefore the capacity of the people to buy and consume will increase.

From the best informed sources abroad come assurances that conditions there are improving; that the outlook for increasing trade with the United States is decidedly hopeful; that requirements for our materials are such that their satisfaction cannot be much longer postponed, if measures can be devised to enable the business to be carried on. At this point, again, I can give assurance that the utmost support will be given by the government's financial authorities to every effort at extension of credits by which foreign trade may be developed. Of government credits and money we have given all that can safely be permitted. The task must be handled hereafter through the processes of commercial transaction; of those transactions which represent the ~~re~~cessing flow of supplies and the constant, if at times postponed, liquidation of accounts. There can be no more consideration of vast blocks of credit,

to be expended perhaps in purchases which represent the least prospect for early liquidation. The streams of international exchanges must be clarified and invigorated. Within the limits which prudence dictates, the financial and economic system of this country must and will be encouraged to open new markets, encourage new demands, sustain enterprise wherever it gives satisfactory promise.

The national credit reservoir is still splendidly filled. It is capable of sustaining further drafts, if the streams that flow away from it can be certain of enriching, fructifying, producing - and then returning that which has been withdrawn. That is all we need to make sure that henceforward the withdrawals from it shall be for useful, reproductive, supporting purposes. This is, indeed, true of the whole world, and there is good cheer for us in the fact that the world is realizing the necessity to conserve, to utilize, to save its resources.

If I were to ask one particular service of every banker, every business man, farmer, worker, capitalist - every intelligent person in America - it would be to inculcate the ideals of thrift and prudence and saving. If we would all live on a little less than we earn, and consolidate our savings into a great stock of liquid capital, it would finance a vast and increasingly vaster expansion of production at home and trade abroad. Our help in this regard the whole world distressingly needs. We would not have to meet constant calls for charity - to which as a people we have responded with noble generosity - if we would instead save, and use the capital thus aggregated together, in putting our transactions on the basis of business instead of charity. The rest of the world would

rather buy than beg of us. At the moment it needs our encouragement and help, in order to buy. We can give it that help, if we will save; as we do so, we will be enabling other lands and peoples to resume their own business of producing and saving and paying. This reciprocal effort means a return to legitimate business bases at a faster rate than we can quite realize.

This is a time in which banks have opportunity to render their supreme service to the community. Through them the small surpluses of capital may be drawn together; bits that in themselves would be of no practical use for financing the country's business and yet that, if heaped together in the form of bank deposits, would represent the difference between ample capital and financial shortage; between tight money and easy money; between business depression and business activity. I have seen a good deal of the advertising matter that banks employ, and it has often occurred to me that it makes too little appeal along this line. There never was a better time for banks to engage in educational effort of this kind. Teach the people - all the people - to understand the fundamental character, purpose, aims, services, of the bank. Induce them to keep their money in it. Billions of wasteful expenditure would be avoided every year - I say, and I mean it literally, billions - if everybody entitled to a bank account would maintain it and rely on it. Most of the money that is wasted is "loose money" from the people's pockets. It's almost unbelievable how much less is the chance of wasteful expenditure of "chicken feed" sums, if the spender

is under the necessity of drawing a check before he can spend. If we could get all the people to know this, and to realize the satisfaction of saving by the simple expedient of not spending because it's easy to spend, we should have gone a long way toward restoring financial assurance.

The other day my attention was called to a letter written by a government official, that so exactly illustrated my point that I am going to quote it here. The writer said:

"I have for many years been pretty well convinced that saving money is largely a matter of habit, and people who make a good beginning at it presently discover that it is by no means impossible, and it is altogether a good thing to do. Just at this juncture in the world's and our country's affairs it is certainly one of the most useful contributions that people could possibly make to putting the world right. I do not believe there is any other way to straighten out the tangle of financial and economic concerns into which the world has been precipitated by the war, than to produce a good deal more than we consume, which means, to save, and by our savings to reestablish the world's stores of working capital. I have no more earnest hope than that the public may take this lesson to heart and learn to save as, in view of our great national good fortune, they could be able to do."

I have not often seen the case for personal saving more cogently put, and therefore I have especial pleasure in telling you who signed that letter. It was a man of whom the people of the South have seen a good deal in recent time; for whom the South has given multiplied testimonies of its affection and confidence; a man who for many years has been the earnest and understanding friend of

this great section, and who is today particularly anxious to help the South to deal with the problems that are bearing heavily upon it. He is an untiring advocate of a united America; an eloquent spokesman for a unity that shall know no sections, no ancient prejudices, no old animosities; a very evangel for the conviction that such an America, thus unified and glorified and illuminated, shall move unfalteringly forward to the helpful, unselfish and fraternal leadership of the world. Gentlemen, I have read you a letter that was written by my chief, and yours, and our country's by President Warren G. Harding.