

FOR RELEASE 2 P.M. SATURDAY, JANUARY 21, 1922.

ADDRESS OF THE COMPTROLLER OF THE CURRENCY, HON. D. R. CRISSINGER, BEFORE THE NATIONAL REPUBLICAN CLUB, NEW YORK, N.Y., SATURDAY, JANUARY 21, 1922.



SUBJECT: FOREIGN TRADE RELATIONS - The Debts of our Allies and the Stabilization of International Exchange.

Mr. Chairman and Gentlemen:

I remember one evening recently hearing Mr. Balfour, who has had perhaps as long, continuous and distinguished a public service as any man in the world, observe almost pathetically that, looking back over his experiences in this world, he was not able to recall anything that happened in the realm of human affairs, particularly important or interesting, prior to 1914.

I don't need to elaborate that observation in order to make its significance apparent to all of you. Never in all its history, has the world recognized the tremendous significance of contemporaneous events to anything like the extent that it has done in the last seven and a half years. It is almost fair to say that there was hardly a man or woman in the world, who knew how to read and write, who did not recognize by the 4th day of August, 1914, that the human community had come to the end of an epoch, and had entered upon an era, absolutely new to it, whose significance and ultimate developments none might dare forecast. We knew that we were launched suddenly, unexpectedly, irrevocably upon an ocean of troubled and tremendous events. We knew not where its tides and currents and winds might carry us. We could only vaguely guess at what destiny might have in store for us. We were privileged to hope for the best, but how many of us had confidence, real and assured confidence, as to the outcome? How many rightly guessed that outcome?

From that day to this we have lived in the midst of crises. Some of them have been apparent, some real; but on the whole, they have made life a succession of shocks, until we are wellnigh benumbed and incapable of reacting to ordinary stimuli.

I am saying these things, as you will doubtless have guessed, by way of introducing the sadly hackneyed statement that the world faces one more crisis, one more determining incident. The conference of nations on limitation of armament is about coming to its conclusion; and as it is dissolving, we see ahead the economic conference of Genoa about gathering for a consideration of world problems as important, in the sphere of economics, as, in the realm of politics, have been those which have come before the Washington conference. I venture to say, indeed, that most of us now here will live to set down as the four greatest landmarks of this new epoch, the beginning of the European War, the signing of the Armistice, the Washington Conference on Limitation of Armament, and the Genoa Economic Conference. I regard it as of the very first importance that we fix firmly in our minds this view of the events initiated at Cannes and to be forwarded at Genoa. At Genoa, for the first time, will come together the accredited and recognized spokesmen of all sides in the Great War, to consider the too long-delayed and increasingly acute problems of economic restoration. There, for the first time, these problems will be considered, not primarily as problems of allied and enemy states, but as the overwhelmingly important concerns of a world which

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faces the necessity of adapting itself to conditions never known before, and with which it must cope successfully or else admit that its whole scheme of social organization has been a failure.

That scheme has been built up by slow and painful processes through hundreds of generations. A few short years ago we were firm in our conviction that the problem of human destiny had been carried far on the high road to successful solution, and that such a solution was insured. Today, on the other hand, a world widely awakened from vainglorious dreams of peace and security, is meekly coming together in the effort to salvage its institutions. It is hardily recognizing the necessity for insuring civilized life from the menace of war and its aftermath of disorganization and pestilence. It is recognizing that there must be fundamental reconstructions of human society. In these reconstructions we must recognize the right of the common man to a larger participation in the products of his effort for the common sustenance, and to a more potent voice in the direction of governmental institutions and activities. We will serve well ourselves, our own time, and our good repute in the world of the future, if at the outset we recognize the necessity of conceding these fundamental things. This world has outgrown the institutions of either governmental or economic autocracy. It is not going to be content to leave in the hands of a few either the direction of its governmental machinery, or the determination of its economic aims.

We all know and recognize these things. Any group of us, sitting at our own comfortable dining table, will find ourselves, in the first moments of conversation, clearing away the underbrush of disquieting and obscurantist controversy, by admitting them. But it is our duty also to admit them just as frankly and freely in the open, before all the world. The Washington Conference has produced large and important accomplishments in line with the democratic tendencies of the times. It has shown how much sincere cooperation of nations, in the general behalf can achieve. The next step in such cooperative effort among nations is promised at the economic conference shortly to meet at Genoa. If it does not come there it must come somewhere else through a program of united effort to deal with economic difficulties as the Washington Conference has dealt with political ones.

The work that has been accomplished at Washington lays a foundation on which it is possible for us to anticipate large achievements in the economic department when it is taken in hand. The task at Genoa will be peculiarly one for Europe to deal with, one which must largely determine how far the European peoples are prepared to go in order to assure economic rehabilitation.

The extent to which America can cooperate and assist them in their economic difficulties, will depend almost entirely on the attitude they shall adopt. In the long run, they will get all the assistance America is able to give them, because the giving will be of such advantage to us as well as to them.

Whether the United States Government shall be an actual participant in the Genoa considerations or not, it remains true that we will have the liveliest concern in all determinations that shall be reached.



Whatever else the lesson of the last seven years has brought to us, it has at least given us a conception of the essential oneness of the human family, of the interdependence among peoples, of the intimate interrelationships of states and nations. All this is not a very shocking realization for Americans, whose governmental organization has been a cooperation of states in a federal system. But to those communities of the Old World in which the nationalistic ideal has been developed to the extreme point, this conception is not so easily accepted. Therefore, let us Americans, who are perhaps more accustomed to thinking in such terms than other peoples, lend our influence to make this conception easier for them.

The world will not soon or readily be brought to common standards or modes of life. Different communities will cling to differing languages, traditions, religions, literatures, institutions of law and economic organization. No doubt it is well that they should, for it has plainly been no part of the divine plan that all men should be too much alike. But there is somewhere in the scheme of things a common denominator by which we may reduce the problems of this variegated humanity to its lowest quantities and view them in the most understandable terms. In my own belief, that common denominator is international trade, which at last stands as the solvent, the medium of communication, the nerve center by which we establish touch and understanding among the various parts.

International commerce is, of course, intimately related to the world's system of sustenance and alimentation. Many communities are dependent upon foreign trade for a large part of the means by which to live. Yet there is no national community whose international trade even compares in importance with its domestic exchanges. We may, therefore, for a moment consider international exchanges in their analogy, not to the human system of nutrition, but to its nervous system. Trade is the primary means by which peoples come in contact with one another, by which they find opportunities to know, to study, to recognize and compare varying national characteristics. Indeed, I suspect that if all international exchanges were conducted without any commercial profit whatever, the educational value would amply justify their continuance. I believe that the people carrying on the largest volume of international exchanges would derive such advantages in wider outlook, in more accurate vision, more illuminated understanding, that in the long run it would be set far on the way to world leadership.

The entire transactions in international commerce of the world represent but a modest fraction of the value of the domestic commerce of our own country alone. Indeed, comparing international with domestic exchanges the world over, and leaving out of the account those educational and intellectual advantages which I have suggested, we might mislead ourselves into the apprehension that international trade was really of minor importance, and might be neglected without great loss. There has been too much displacement in our own country, in recent times, to this narrow view. The fact that our country is so nearly self-sufficient and self-contained, constitutes a temptation to exclusiveness and aloofness and a menace to our prosperity against which we are called upon to set our faces, lest we fall into a provincialism extremely unfortunate for us. It is not that our material needs are so great, but that our spiritual responsibilities are so important, that we must keep ourselves in the attitude of willing, helpful neighbors. Let it be conceded that we could come nearer than perhaps any other great nation to living to ourselves; the fact yet remains that we can not live alone, and that the attempt would be fraught with immediate

misfortune and ultimate disaster. Rather, it is for us to determine the part we can best play in international relationships, and to accept our obligation freely and fully.

I have spoken of the international exchanges as the medium through which men become best and most intimately acquainted with their neighbors in every part of the world; for after all, the world is now reduced to the estate of a great neighborhood. It seems to me fortunate that it is possible, through so comparatively small a volume of commercial activities, to derive so great a social and intellectual advantage as comes to the nations through world wide commerce. In the long run, the race will thrive or suffer together; there is bound to be a substantial ultimate unity in the experiences and development of mankind; and the best measure of that unification and mutual understanding will be found in those intimacies of trade which are presented quantitatively in the statistics of international commerce. Precisely to the extent that men have from generation to generation been more and more dependent upon the sea as a highway,--to that extent they have been more and more determined to keep the sea-ways as secure as possible for the movement of commerce. Thus, piracy, which in the beginnings was chiefly a protest against unreasonable inhibitions against free trade and communications, was gradually suppressed because trade was recognized, encouraged and regulated by law. Thus, also, the Roman founders of modern civilization recognized the necessity to bind distant communities together by the first great public highways. In comparatively recent centuries, there has developed the international law of the sea, to insure the fullest possible security to the exchanges of trade.

We have come to the time when these fundamentals are understood and recognized. The cataclysm of the last few years has shown us as we never realized before, how necessary it is to maintain the privilege of easy communication and economic interdependence. It has shown us more than that. It has made us realize that in this realm of international relationships we need some new instrumentalities, or the great improvement of the old ones, through which to further world-wide commercial movements.

Every advanced nation has developed an approximately complete code of laws to regulate its own society and commerce. There is wide divergence, it is true, among these national codes; but each has been based on the needs of the particular people, and on the whole they have served their purposes well. But there has been nothing like a corresponding development of international law, or of the instrumentalities of international credit and exchange, whereby to give international transactions the same security that is enjoyed by domestic transactions. There is need for particular effort, therefore, further to regulate and insure the political relations of sovereign powers, and also the commercial relations between peoples. Convinced as I am that the freest movement and largest volume of international exchanges would constitute the firmest guaranty of peace, I am unqualifiedly devoted to the idea that we need to give especial and most intelligent attention to the development of these means by which to encourage, to expedite, to insure all the processes of world-wide trade.

To no country is this observation more applicable than to our own. We are the foremost creditor nation. We are also the greatest agricultural and industrial nation. We possess the elements from which to build, if we will, the greatest fabric of world-reaching finance that has ever been created. Not only have we the resources and the fortunate



position, but all the world appeals to us to utilize these and to take the lead.

It becomes, then, merely a question whether we fully recognize both the opportunity for ourselves and the obligation to others. No other country ever had the chance of world leadership that is so literally forced upon us. It is for us, while recognizing the duty to our own people of maintaining absolute political independence, to grasp this opportunity. Our contribution in material things is certain to carry with it also a corresponding part in the social and intellectual direction of world affairs.

If I have deemed thus far to speak somewhat in generalizations, I propose now to consider some specific phases of this matter. Never since international trade relations have been important, have the financial and monetary facilities for world trade been so disorganized as now. There is a widespread impression that the problems of international finance and exchange are irrevocably bound up with the complexities and difficulties of domestic finance. I believe we have too readily accepted this view, and that thereby we have been misled into overlooking some real opportunities for rehabilitating industry and commerce. I believe, in short, that it is possible and necessary for us to work out means by which a necessary segment of the world's credit and responsibility may be set aside and dedicated to the special purposes of international commerce.

Every banker among us is familiar with the methods by which special parts of the national revenue of embarrassed states have repeatedly been segregated for the purpose of serving and ultimately extinguishing particular obligations. The thing I have in mind is, very briefly, to apply that same principle of segregated credit and responsibility, in order to provide a sound, uniform, and reliable basis for the transactions of international trade. Granting all that may be said about the difficulties and complications involved, I am nevertheless prepared to make my own modest claims that the thing is possible, that it can be made workable, and that it would produce vast and prompt benefits in all trade and commerce.

On other occasions I have referred to the service rendered to medieval Europe by the banks of exchange in the Mediterranean and Hanseatic cities. Banks of exchange preceded institutions of deposit and discount, and were the beginning of the modern banking system. They established their own units of accounting and settlement, independent of the national currencies of the different countries. In a time when credit in the modern sense was in its infancy, and when the distortion of currency systems and the general ignorance of economic principles presented far greater obstacles than confront us today, these institutions contributed greatly to encourage international trade. With no such guarantee of resources and stability as could now be put behind them, these medieval banks of exchange were able to establish their credit and hold the confidence of the merchandising community. Without exception, they contributed enormously to establish and maintain the commercial importance of cities which were their seats.

The history of monetary systems, under a fair analysis, will, I think, justify the conviction that it is possible to create a special medium of accounting and settlement for an especial class of transactions, namely, those in international trade, and gradually to lift this trade above the ruck of disorganized domestic money conditions.

Our own experience with state and federal currencies, and, before that, with the colonial and continental currencies, justifies the belief that a type of international currency, based on especial government guarantees and on ample gold reserves, could be brought into existence and made useful.

Nobody who has been following the development of intelligent opinion regarding this set of problems, can doubt that proposals of this kind are constantly becoming more and more respectable, less and less liable to the charge that they are chimerical and unworkable. The functions of an international bank of exchange, closely articulated with the financial systems of the participating countries, would have to be worked out in care and detail; their ultimate scope would be determined by experience.

Whether such an institution should engage in deposit and discount operations, has been the subject of much discussion. That it should do so, confining its operations carefully to the furtherance of international trade, would not be at all difficult to contemplate.

Personally, I do not regard myself as at all bold, when I suggest the thoughtful consideration of such a project.

We are all generally familiar with the beginnings of the Bank of England, which has for two centuries been the world's synonym for soundness and solvency, and yet which found its beginnings in the national necessities of the British Government, and whose original charter was granted in consideration of certain advances to the Government secured by Government stock. Americans are more familiar with the procedure by which Hamilton established the first bank of the United States, making the consolidated debt of the infant republic its basis.

It is not difficult to trace the analogy between the conditions which Hamilton confronted, and those which would be faced by a competent authority attempting to do a like service for the world of today. Hamilton first consolidated the debts of the states under the wing of the federal government's credit.

That gave the new securities a power of appeal in money markets everywhere. In precisely the same way, let us imagine some agreed proportion of the international obligations which are owing to the United States from Europe, similarly guaranteed, and issued in convenient denominations for sale in the general investment market.

In a cooperation of the powerful governments and banking establishments of the world, those securities could be made the means of bringing together an adequate reserve of gold and credit for the creation of an international trade bank.

Such an institution might issue an international currency, or it might conduct its operations in the terms of American dollars, Swiss francs, Dutch guilders - of any money system that is recognized as securely on a gold basis. Former Secretary of the Treasury Shaw recently proposed the employment of the American dollar in settlement of international transactions, pointing out that the amount of dollars that would require to be actually shipped from country to country in settlements would be almost ridiculously



small in proportion to the volume of business done. The idea of an international trade bank is not essentially different, and it would appear more effectively because it would not be subject to the charge that the money and banking system of a particular country were getting too great a prestige. I do not believe the thing impossible or impracticable, provided we have vision, imagination, and initiative enough to lead us in a careful exploration of possible methods.

The utility of such a system is so obvious as hardly to need suggestion. Various of the great national banking establishments of the world, among which we are perhaps more familiar with the Bank of France, the Bank of England, and the United States Banks, had their beginnings in the necessities of governments in critical times. Napoleon always referred to the Bank of France as "his" bank, and though he was never a very good financier, he fully realized his own limitations in this regard and reposed great confidence in Mollien, his minister of the treasury. The famous Havre note of Mollien to Napoleon, written in 1810, stands today as one of the very clearest expositions of the purposes and methods of banks of issue.

I believe that it is time for consideration of measures to apply effective forms of international cooperation to this problem. Such an institution would furnish to every country not only an incentive, but a valued and ever-present aid, to bring its own currency system up toward parity with the medium of international transactions. Its power over the ratios of monetary exchange would constitute a leverage upon governments disposed too recklessly to inflate and debase their own domestic currencies. This in turn would be the most effective pressure upon governments to make their budgets balance, to reduce their expenditures, to live within their current revenues; and this, again, would be a powerful influence to keep governments in the mood of peace.

Have we among us, a man with the genius of the younger Pitt, the wisdom of Mollien, the vision and imagination of our own illustrious Hamilton to point the way to bring order out of the financial chaos of the world? This is no time for men who would be leaders to insist that anything is impossible, simply because it is unprecedented. If there is a banker, an economist, or a statesman in the world, who in 1914 would have believed that the financial and economic accomplishments of the years since 1914, would be possible, I will admit his special authority to tell us what can and what can not be done in this realm. The nations have been for nearly eight years doing from day to day things that any sane man would have said eight years ago were impossible. They have done them in almost innumerable departments of human activity. If they could do them under the difficult circumstances of war, certainly they can do more of them under the easier conditions of peace, when cooperation is so earnestly desired and so absolutely necessary.