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ADDRESS OF THE COMPTROLLER OF THE CURRENCY, HON. D. R. CRISSINGER, BEFORE THE  
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MR. CHAIRMAN AND GENTLEMEN:

I am going to begin by confessing to you gentlemen that the American Institute of Banking is one of very few organizations whose invitations I would have felt constrained to accept at this time. You are entitled to regard this remark as a compliment, for it represents my strong feeling that your institute is one of the extremely useful forces working for the dissemination of better knowledge and the soundest principles in banking and finance. The particular effort you have been putting forth is not only desirable but highly necessary owing to the special circumstances that surround the banking interests of this country at present.

Owing to a variety of causes with which we are all familiar, banking in the United States has grown up in a fashion quite unique. There has never been the same closely knit understanding and solidarity among banking institutions in this country that have been developed in most European countries. It is not necessary for us to consider whether this has been a desirable or an undesirable development; at least it is a fact. The number of banks in the United States is almost beyond the belief of European financiers; and the vastly greater number of our banks are purely local institutions with only rather vague associations with the greater centers and forces of finance. This condition has of course been very much modified since the establishment of the Federal Reserve System, but it still prevails to an extent that quite strikingly differentiates the methods of American banking from banking in the Old World.

Your institute has been devoted to dissemination of the underlying principles of economics, finance, and business, which are needed as a part of the equipment of the well-rounded banker. Therefore, I have felt that your organization is entitled to especial consideration and encouragement. It is undertaking a work that has been too little considered in this country; a work, I may add, that would have brought inestimable benefits to the nation if it had been inaugurated much earlier, so that in these present difficult times we could have turned to a great community of bankers as thoroughly equipped with understanding of the law, the economics, the underlying philosophy of banking and finance, as you aim to equip the young men who enjoy the advantage of your courses.

These are times in which it is dangerous to be contented with the narrow and provincial view. Great forces are at work in the world which, no matter how insistently we may wish to take the narrower view, absolutely prohibit us from doing so. We are compelled to regard our great profession in the light of its worldwide concerns; to recognize that it is inevitably inter-related with the fiscal and financial concerns everywhere; to understand that we can not block ourselves off from intimate association and relationship with the leaders of business, of government of financial operation, everywhere.

I confess to being a country banker myself, and am proud of the fact. But in making that confession, I feel that I may find in it a justification for applying to myself along with other bankers, the criticism that as a community we bankers of the United States have been disposed to a limited view, a fore-shortened perspective, a narrowness of viewpoint, which are not calculated to fit us for the great part that world events have thrust upon us.

Not only in our own country, but in every other important country, the last few years have compelled the leaders in governmental finance and the great figures in general banking and business, to improvise, under pressure, many new methods and systems in financial operation. The processes by which the war was financed, by which the economic and industrial structure of each country was sustained throughout the great struggle and since, have varied widely in different countries. But on the whole, I think we now pretty generally recognize that there has been too much of improvisation, too little of scientific procedure. Under the stress of instant and imminent necessity, methods have been adopted which seemed at the moment unavoidable, and which momentarily served more or less effectively the purpose to which they were addressed; but which ultimately have brought us to a time of difficult reckoning. You will all recognize that I refer particularly to such devices as the gigantic inflation of both currency and credit, which has been universal; to price fixing; to cost-plus contracting; to the extension of government credit in many cases where the results have proved unfortunate, and where better, more scientific methods might have avoided it.

It is useless now to concern ourselves with inquiries as to whether the unfortunate results of these proceedings might have been avoided. Every such supreme emergency brings to responsible statesmen the question whether the emergency can be financed by any other process than that of inflation. Even if we grant that to a certain extent inflation is unavoidable in such conditions, we may yet profitably inquire whether there is not a limit to inflation which, on the one side will still leave it possible to mobilize the fullest industrial resources of the community, while on the other side, avoiding the wreck of money systems on the rocks which bound the ocean of unlimited paper issue. We have drifted very far away from those money standards which we have long been wont to regard as safe, sound and reliable; and in the effort to bring ourselves back to them, we shall need for many, many years to come the wisest counsel and leadership of men equipped as this institute seeks to equip its members.

Only a few days ago the Washington Conference on Limitation of Armament concluded its labors with an array of accomplishments to its credit as the world has never seen that a few years ago would have been esteemed quite impossible. We men of the financial world may as well frankly look the facts in the face, quit dodging and recognize that the politicians have "beaten us to it", in the matter of starting systematic liquidation and deflation. They are deflating, in a systematic and effective way, the great war-making establishments of the world. They are accomplishing this through large cooperations, through international understandings, through measures which command the support of a united world opinion. It is true that they have hardly accomplished more than a good beginning; but that beginning is accepted everywhere as the earnest of intention for the future, as the guarantee that further advance will be made as fast as may prove feasible; and that the burdens of war establishments will be progressively lightened and governments given the opportunity to restore their budgets to a sound basis.

Indubitably the beginning towards solution of this entire problem of political and economic liquidation had to be made along the political lines. That beginning has been made. The next move must be on the economic side, and already we are looking forward to the conference of Genoa in the hope that it will make as good a start on the economic and fiscal side, as Washington made on the political. We will do well to recognize that some extremely vicious elements have been introduced into the world, which seek the destruction of our whole present scheme of social organization. Bolshevism, after it had gained the upper hand in Russia, devoted itself for a long time to effort at breaking down the social and political system of western Europe. It failed

there, but its failure has not by any means removed the menace. For, having largely abandoned its attack on western Europe and America, it has turned its energies toward the east, seeking there to stir up antagonisms, to organize hatred, against the western powers on the ground that these have been greedy, piratical, domineering and tyrannical; that they have refused to recognize the essential qualities and rights of differing races. Bolshevism, in short, is seeking to overthrow completely the influence of western civilization throughout Asia; to induce Asia to rise up against both the political and the economic influence of the west. This means; and is intended to mean, just one inevitable conclusion: the arrying of the east, under the leadership of Moscow and the third international, against the entire western conception of human society and human destiny. The fact that bolshevism failed, for the time being at least, in the western countries, does not mean that the menace has been destroyed; it merely means that for the moment it has been taken farther away from us; but nevertheless it is pursuing its devious and menacing activities, in places where we can not watch it, where we can not hope to deal so directly with it, as when it was attempting to establish itself in our very midst.

If we are to cope effectively with this attack on our institutions, we must first of all recognize that the attack is in progress, and that it is extremely dangerous; and after that, we must search our institutions and organizations in the effort to determine to what extent they justify violent criticism and hostile attack; and having made such a survey, it becomes our duty to adopt measures of reform that will justify us in insisting that ours is on the whole the system best suited to the needs of the world. In short, the leadership of the world by the European and American nations has been challenged and we must respond to the challenge by convincing the world that our institutions, our civilization, our economic methods, our instruments whereby to promote the general advance of mankind, are the best institutions, the best civilization, the best economic methods, the best instruments, that have been offered for the promotion of human welfare. I submit if they are not all this, they do not deserve perpetuation. We are firmly convinced that they represent, in the aggregate, the best human program; and we must be prepared to defend them, to improve them; and to convince the wavering peoples and civilizations of the east that their destiny will be best served if they continue in understanding and cooperation with the aggrieved powers of the western world.

The east has always tended toward isolations, the west toward neighborships and cooperations. The western outlook on the world sees it destined at last to become a great family of related and interdependent peoples, races, states. If we of the western world are right in this view of human destiny, then it is for us, for you bankers, to develop those instrumentalities through which something of common interest, understanding and institutions may grow up to unify the world and to prevent conflict of aspiration and interest.

We all recognize that trade is the great medium through which peoples come to know each other. The actual volume of international trade is not nearly so important in an economic sense as in a social sense. Most countries could get along very well without much foreign commerce, but if they attempted it, they would presently find themselves going to sea, falling into provincial ways, developing their own narrow and local characteristics, losing that cosmopolitanism of outlook and interest which contributes so much to the broadening of human interest.

If international trade is, then, of a peculiar and especial social significance and value, it deserves encouragement and support. That it may be encouraged, developed and expanded, it is necessary that instrumentalities

of finance, of transport, of exchange, of easy cooperation in all the processes of merchandising shall be devised and encouraged.

This brings me to a theme that has long been a favorite of mine; one to which I have so many times addressed myself in recent months that I confess some hesitancy in turning to it now. I doubt if I am capable of adding much that is new to my own presentations of this theme on other occasions. But I can not refrain from saying to you that manifold testimonies have come to me, from all parts of the world, particularly from all parts of our own country and of western Europe, which convince me more than ever that there is a growing appreciation of the importance of this great question, and a growing disposition to examine, study and deal intelligently with it. I would not have you imagine that because I am a banker I am narrow enough to suspect that the brotherhood of mankind is to be brought about through the establishment of some particular monetary and financial program. I recognize that there are political, educational, religious, social and psychological factors with which we must deal and to which we must devote the most assiduous consideration. It is merely changes that my own realm is that of finance. I have expressed many times the opinion that the disjointed and unrelated money systems of the world constitute one of the obstacles to that closer intimacy among peoples, in both their economic and social relationships, that I conceive to be so highly desirable. The world spent a good many centuries trying to equip itself with a scheme of money standards that would make international commerce and exchange permanent and sound, that would eliminate those elements of uncertainty which make this class of transactions more or less uncertain. Unfortunately, we had just about got to the point of establishing the gold monetary standard as an approximately universal system, when the war came along and broke it down. We have been returned to a chaos of inflated paper, of over-extended credits, of vast national debts, in which the gold basis of value has wellnigh been lost. The question is whether there is statesmanship and economic wisdom to which we may appeal, to restore something like the homogeneity that before the war existed among the money systems of the world to maintain it in the future, to simplify the processes, and perhaps to lead us ultimately to a substantial uniformity of money systems and bases, that might do away for all time with the fluctuations and uncertainties of international exchanges. For myself, I believe the time is ripe for undertaking even so ambitious a program as I have suggested. I believe that order, and better order, and sounder and securer and more widely extended order, may be brought out of the present chaos of currency systems, than the world has ever before known. Not only that, but further, I am convinced that unless we win to a better system, out of this epoch of demoralization, then we surely will go on to yet greater demoralization and to ultimate disaster. If we are to go forward to better methods, to improved systems, to firmer standards, we must have the courage to dare some experiments, to try out proposals that at first may seem startling, to make some beginnings in the hope that they may lead us to desirable endings, even though we may not be able at the outset to see the end of the route.

I am convinced that the consolidated credit and gold resources of the world are even now ample to sustain a monetary system through which international commerce can be put back on a basis of security within a reasonable time. The history of money systems, I think, warrants us in saying that it is possible to create a special medium of accounting and settlement for the transactions of international trade, and thus to elevate international trade above the disorganized conditions and relationships of national money systems. I believe the time is ripe for this effort to be undertaken through international concerns and understanding; and I believe that American financial opinion should be prepared for the presentation of proposals looking to this end, in the not

distant future, whether at Genoa, or at some other and later international economic conference.

The Federal Reserve Board has recently committed itself strongly to the program of international effort for the restoration of the gold standard. In a statement issued so recently as February 8, the Board said among other things:

"The argument in favor of the restoration of gold as an international standard of value is twofold - first, that no superior or better basis for prices has as yet been developed, and, second, that the use of gold as an international currency or price basis affords strong protection against pressure to bring about expansion of credit. In international trade the gold standard also constitutes a nexus between the price levels of various countries. It can by no means be said to be an ideal means of payment, but under normal conditions it has been very effective in preventing the price level of any one country from falling too markedly out of line with that of others. When currency and credit systems are erected upon a gold basis, loss of gold following imports tends to check the process of further credit expansion, and the knowledge that gold may be wanted for export is under all circumstances a deterrent to indefinite credit expansion. In short, international purchases and sales tend to offset one another except to the extent that occasional adverse balances can be covered by means of gold shipments. However, if there is no attempt to maintain the gold standard or to link gold in any way with the internal price level, the process of gold denudation can go on to the point of exhaustion. In fact, that is what has virtually happened in a number of countries. Ordinarily the rising interest rates that would accompany an outflow of gold would check such a movement. But if credit expansion by means of paper issues goes ahead unrestricted by the need of redemption, either immediate or prospective, no effect upon interest rates need ensue."

Discussion of the inflation now existing in Europe leads to the question whether a so-called gold exchange standard might not be employed and the Board's review urges that artificial methods of controlling exchange operations are of no permanent value. It adds:

"Their inadequacy as a means of correcting fundamental maladjustments of trade balances has been made so obvious by experience and has been a subject of such lengthy comment that it does not require further elucidation. It is, however, conceivable that the stabilization of exchange and the reestablishment of a satisfactory system of internal payments could be accomplished by a rigorous control over credit and currency without return to the gold standard. But it is highly unlikely that such control would be sufficiently rigorous and discriminating to prevent exchange fluctuations from continuing to be of a magnitude sufficient to constitute a serious interference with foreign trade. It may be that the use of the discount rate as a means of price stabilization could with wise manipulation, unhampered by political pressure, be effective in some countries. Changes in discount rates would then act as a means of encouraging the expansion or forcing the contraction of credit-created currency without either an inflow or outflow of gold. But such a scheme presupposes a centralized control over money markets that was by no means assured even in prewar times, and it also presupposes a sensitive response to variations in the interest rate that implies the existence of highly organized international markets which no longer exist."

The statement is plainly made that the great accumulation of gold in the United States at the present time is gravely dangerous, the Board's review stating the case as follows:

"It is evident from all that has been said that the United States has an interest in the introduction of some form of gold standard as a means to the resumption of trade relationships through the effective stabilization of exchange. At present, furthermore, the abnormal concentration of gold in this country is a source of danger, because it is a false guide in matters of credit policy - no longer an index of the outside limit of legitimate credit expansion. Considerations of national interest alone are, therefore, a sufficient reason for a careful weighing of proposals looking to a redistribution of the gold supplies of the world and involving a return of some part of the gold held by the United States for use elsewhere. No proposals of any sort should, however, be entertained until far-reaching guaranties of fiscal reform have been secured from the countries that require aid. Otherwise the assistance would be detrimental to the extent that it would lead to the postponement of the necessary fiscal reforms which must be made preliminary to the rehabilitation of currency systems and the reestablishment of stabilized exchange relationships."

The situation is that it is not only possible for the United States, without any undue assumption, to bring forward proposals looking to the reestablishment of the gold standard; but it is the duty of the United States to take the lead in this matter because this country has become wellnigh a monopolist of the world's monetary gold. With about 7% of the world's population this country holds some 40% of the world's gold stock. We have literally more gold than we have proper use for; more gold than it is good for us to have. Senator Owen recently declared that we could well spare five hundred million dollars of our accumulated gold without in anywise decreasing the security of our currency system. It is vastly better that we should, through carefully devised measures, calculated to conserve every interest involved, begin the redistribution of this gold about the world so that it will be restored to its proper function of maintaining a sound relationship between currency systems and the metallic standard. If we do not do this in time, the inevitable operation of economic law will sooner or later begin to do it in spite of us, and perhaps in circumstances and by methods that will result in unfortunate consequences. Now is the time to begin preparation for this redistribution and for the restoration of money systems. As the custodian, I might say the trustee, of the greatest stock of gold that ever came into the possession of one country, our duty both to ourselves and to the world at large demands that we take the lead in developing procedures by which this gold basis of a sound currency system may be made available to the service of the entire business world.

I have brought this plea to this gathering of bankers of the great metropolitan and cosmopolitan city of America, because everybody recognizes that from here must go forth the most powerful and effective impulse and direction to the policies of American finance. In making an appeal to you gentlemen to take the broad and liberal view of these great problems, I should be doing injustice to my own understanding, as well as scant courtesy to you, if I failed in generous recognition of the great services that the bankers of the metropolis have rendered to the nation, to the government, and to the business of the world in a time of extraordinary difficulty. The intelligent leadership of metropolitan finance contributed very greatly to make possible the Federal Reserve System. With that system established, we found ourselves

plunged into the World War, which instantly imposed the most extraordinary and unprecedented demands upon our financial structure. In the tremendous effort of the nation to finance the war and to deal with the era of restoration and rehabilitation following the war, you gentlemen of the metropolis have always been a sure reliance.

As a country banker, a farmer, and a plain small-town business man, I want to make my acknowledgments to you. I want to congratulate you on the fact that today, by reason of the patriotic part you have played in these hard years, especially the year just closed, there is less of prejudice against great finance in this country, than ever before within my recollection. There is a growing and most gratifying popular recognition of the service which the great banking establishments here have rendered to the country. That recognition represents the national tribute to the men and institutions, here so splendidly represented, that have by their policies, conduct and cooperation so emphatically testified to the vision, the intelligence, and the national spirit of those who have directed the forces of American finance to the leadership of the business world.