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ADDRESS OF THE COMPTROLLER OF THE CURRENCY, HONORABLE D. R. GRISSINGER,  
BEFORE THE MAINE BANKERS ASSOCIATION, AUGUSTA, MAINE, JUNE 17, 1922.

MR. CHIEF JUSTICE AND GENTLEMEN:

I don't know but that at the outset I ought to tell you gentlemen a little something of how your State is represented in Washington. The other morning the telephone in my office rang and a voice which at the moment I didn't recognize told me that the Maine bankers were getting together and wanted me to talk to them. I said that of course it was part of my business to talk to the main bankers whenever they had business with me, and any group of them would always be welcome. There was this slight difference between us:- I was spelling my "main" with a small "m", while the other end of the telephone was using a capital "M". That was the substance of the conversation, and when it was over I merely assumed that I had agreed to meet a group of leading bankers, - and what banker does not esteem himself a leading banker! Later I found that I had been talking to Senator Hale, and had agreed to come to the meeting of the Maine Bankers' Association! The difference was merely the difference between a capital "M" and a small "m", but when I called up Senators Hale and Fernald to expostulate, and say that I didn't have time to come up into the farthest north, they explained that in the best circles Maine is always spelled with a capital "M". I am at least able to testify that in the bright lexicon of your Senators, Maine with a capital "M", and main without it, always mean precisely the same thing, and that in Washington they don't permit us to make any mistakes as to that detail. Anyhow, when I tried to explain how impossible it was for me to get here, they said my convenience was not the main consideration; that Maine was the main consideration, and that I would have to come. So here I am, and if anybody has any grievances about it, I recommend that he take them to your Senators, and make whatever protest may be appropriate against so persistent a policy of looking out for the Maine chance.

Last fall I was invited by the California bankers to attend the annual convention of the American Bankers' Association in their state. I was told a lot about the wonderful climate of California, and what a superior place it was to visit in the autumn and winter. I went out there, and found that it was all true. Now I find that precisely the same kind of propaganda about the climate of Maine is being used in behalf of your gathering.

From Maine to California, from the country that capitalizes its summer climate to the country that lives by its winter climate, there doesn't appear to be any section of this whole continent of ours, that omits especial claim for its weather. It isn't any wonder that Americans all manage to be optimists. The truth is that we all have something to be optimistic about, and we prefer to talk about that particular thing. It's a good national characteristic too; as a people, our weakness for that attitude of mind constitutes one of the reasons why we got on. We have just enough pessimists to furnish salt for the mass of optimism; and, viewed in that way, I am not sure but there is some excuse for the existence of a pessimist. It is possible that at times he serves the useful purpose of keeping the rest of us from being too optimistic.

The present is one of those periods when it is perhaps just as well for us not to be too enthusiastically optimistic. Compared with any other

on the face of the earth, our country is so well that if it got any better it might have to send for a doctor and a trained nurse, and go to bed. That's something that in all seriousness I want to impress on the minds of you bankers. There have been some signs of late that the national business situation might improve a little too fast; manifestations of a tendency to rising prices in directions where they could reasonably be considered a bit premature. The present is a good time to sound warning against any general effort to put up the prices of those necessities that the mass of consumers must buy. Such a movement, I feel, would just at this juncture be likely to prove untimely, and to bring unfortunate consequences. I am quite familiar with the fact that in general the tendency is to buy on a rising market and to sell on a falling market. But that doesn't by any means assure that business is bound to get good when prices are getting higher, or get worse when prices are getting lower. The great buying and consuming public is not going to be brought into the market by the cheerful program of asking it to pay higher prices, when it has already proved unable to pay lower ones.

So I want to warn against any tendency to what I believe the economists refer to as a secondary inflation. If I understand them, we had a primary inflation during and immediately after the war. I take it that, in the realm of prices, they mean by primary inflation a general advance of prices, in a time when demand is greater than supply, the purpose being to check the demand and therefore make the supplies go farther.

A secondary inflation, I take it, is quite a different affair; a tendency to advance prices at a time when there is a surplus of producing capacity, but a deficit in buying and consuming capacity; the theory being that as the public tends to buy on a rising market, the one effective way to make it buy is to make the market rise. Now, it occurs to me that there are proper exceptions to all rules; and for myself, I do not believe that a public which finds itself unable to buy at a lower price level, is likely to be better able to buy at a higher level, unless its income goes up at least a little faster than prices advance.

I saw it announced the other day that owing to the advancing price of wool there was likely to be a general, though for the moment moderate, increase in the price of woollen clothing; that on account of the condition of the cotton market, we might anticipate some advance in the price of cotton fabrics; and, finally, that some factors in the metal market were disposed to discourage orders at this time, hoping thereby to secure better prices later on.

I want to say quite frankly that I do not believe that is the procedure by which to bring about a quick and permanent restoration of good times. The strike of buyers, the unwillingness of a great mass of the people to go into the markets and make purchases, does not represent, and must not be set down as representing, a merely perverse state of the community kind. It represents rather an adverse state of the community pocket-book. You can generally count on your public to buy at least as freely as it can afford to buy; and you can pretty safely assume that when as a whole your public persists in wearing its old clothes; in putting a third pair of half-soles on its old shoes, and in getting along without a large share of the things that we commonly regard as luxuries, it is taking that attitude, not because it wants to hurt somebody else's feelings, not because it is animated by a desire to make itself disagreeable, but because it hasn't the money with which to buy the things it wants.

There is no use telling me that the man who is too hard-up to buy a new suit at \$25, is going to rush around to the shop and buy the same suit when he finds it has gone up to \$35. That might be true of an occasional individual with an income so big that the difference between \$25 and \$35 is rather academic; but it is not true of whole communities, of the consuming mass of people at a time when they have fallen more or less into the habit of cutting the garment of expenditures in accordance with the cloth of income.

My unalterable conviction on this point will perhaps justify a word to people who seem to believe that the way to make good times again is to start prices on the upgrade again. In my judgment, in an era like the present, the way to restore good times and good business is to cut out the wastes of production and distribution, to get profits down to a basis of the utmost moderation consistent with safety, and to invite the public into the market. That is the procedure by which we are going to get idle hands back to work, idle capital back to production, and striking buyers back to buying.

We are not going to restore a feeling of confidence among the people, by presenting to them, day by day, news of wage reductions in parallel column with announcements of advancing prices. There is no doubt that a good deal of wage adjustment is going to be necessary before we will bring things back to even an approximately normal basis. None the less, we will not greatly improve the situation if we undertake to celebrate the downward readjustment of wages by announcing upward readjustment of prices. The best rule I know to govern the broad kind of economic readjustment that is required at this time, is the old law of supply and demand.

We cannot afford to forget that law. There have been some developments lately which suggest, on the part of a few factors in the industrial situation, the notion that the law of supply and demand has been repealed or at least suspended. I don't think it has been.

My attention was called not long ago to the case of a very considerable manufacturing concern which requires constant supplies of certain basic materials. This manufacturing concern found that the dominating interests in the market from which it was accustomed to buy its raw materials, were indisposed to quote prices for delivery for several months in the future, on the ground that they had already taken all the orders they could fill within that period. Nevertheless, the manufacturing company found that it could quite easily go into the market and buy all its requirements of the same basic material, from subsidiaries of the big interests, provided it would pay an increase over the current price. I am not impressed that this represents sound business policy, and I want to raise my modest voice against it.

It would be an egregious blunder to assume that such an illustration as I have just given was typical of a general tendency at this time. Rather, I am convinced that such cases are decidedly exceptional. I think they ought to be still more exceptional.

I appeal to and through you bankers of the sound and conservative old State of Maine, for policies of safety and moderation in these matters. You will be able to exercise, as you always do, a wide and potent influence upon the business development of the community. I cannot too earnestly urge that that influence be directed to establish and maintain such relations between production and consumption as will be heartily promotive of both.

It is rather too easy for a country, situated as is ours, to fall into the mistake of assuming that with our enormous wealth, tremendous producing capacity, and wide range of natural resources, we can safely regard ourselves as wellnigh self-contained, and therefore capable of standing alone, on our own economic basis, before the world. We are fortunate, as a nation, in all these regards; but we are not so completely self-contained, so independent of the rest of humankind, that we can afford to set up standards completely of our own, regardless of the standards which prevail in other countries.

The other day I noted the announcement of a single importation of gold amounting to thirty-eight million dollars, said to be the largest amount of bullion ever brought to this country in a single shipment. It came, of course, from Europe; it came from a Europe which already has so little gold that it is experiencing the utmost difficulty in maintaining, even in the most fortunate countries, a serious pretense of a gold monetary standard. That gold was brought for the purpose of paying balances to our country. It was brought to a country which already has more gold than is good for it, and which ought both in fairness to its own business and in intelligent treatment of its customers in other parts of the world, to desire a more equitable and logical distribution of the world's stock of gold. There is an inevitable tendency, in this expansion of the gold supply, to cause increases of prices without due regard to a corresponding increase in the ability of the people to pay them.

The national situation as to employment of labor has been steadily improving. But we all know that in part this improvement has been due to the patriotic willingness of many employers to strain a point and give the utmost employment for the sake of the general welfare. If these efforts are to be more or less negated by reason of premature advances of prices and consequent reduction of the public's ability to buy, the benefits will be only temporary.

Particularly is there reason to urge an earnest effort against advance of the consumer's prices, if that advance is not to be so distributed as to give a fair share of its benefits to the farmer. He has been going through a hard and gruelling experience, and with a crop just coming to the harvest, he looks out on a prospect of selling his yield at prices which will not make him at all cheerful about paying more for the things he must buy. We want the new prosperity, which I am confident is not very far ahead, to be distributed to all the people. If it is not pretty fairly distributed; especially, if any great and essential sections of the population are denied their share, then we will see an unnecessary and inexcusable delay in the resumption of better business conditions.

In saying these things, I would not be understood as picturing any general conditions which are working in the wrong direction. On the contrary, the great mass of influences, the overwhelming array of factors, are making steadily for better conditions. There is every reason for assurance. The country, and I am very hopeful, the world, have passed through the hardest part of the post-war readjustment. We need only to hold securely to every inch of ground we occupy on the upward way. If we do that, we will all be amazed at the vista of assurance, solidity, safety and prosperity that will presently be unfolded to our vision.