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REMARKS OF D. R. CRISSINGER, GOVERNOR, FEDERAL RESERVE BOARD, BEFORE THE DISTRICT OF COLUMBIA BANKERS' ASSOCIATION, MAY 24, 1923.



In the past two years it has been my fortune to be the recipient of so much courtesy and consideration, of helpful cooperation and generous assistance from the banking community of Washington, that it is not altogether easy to formulate on this occasion a fitting expression of my appreciation for these added testimonies of support and loyalty which come to me this evening. I feel that my debt to the banking fraternity of the District is one of those obligations which have no date of maturity, but which go on accumulating at compounded interest. Fortunately, having ceased to be Comptroller, I am not under the professional obligation to take so harsh a view of those irregularities which are involved in carrying overdue items for an unreasonable time. If the good will account which the bankers of Washington have been carrying for me should be pressed for instant liquidation, I am afraid, that, with all the good intentions and amiable sentiments in the world, I should have to take the bankruptcy route. So I hope you will go on letting me make an occasional curtail as I am trying to do tonight, just as a sort of acknowledgment of the obligation and assurance that at least I don't intend to permit it to be outlawed.

When your President extended the invitation to me to come here this evening he conveyed the incidental assurance that I would not be expected to make a speech. Inasmuch as I subsequently discovered that I had been put down for an address on a highly formidable subject, I wish him to know here and now that he didn't fool me for a moment. I knew all the time that I would have to make a speech, and the best testimony I can give of my appre-

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ciation of the honor you have done me, consists in the fact that I am here, even at the price of having to make a speech. But I can't refrain from saying that sometimes I have wondered if we wouldn't get on faster with taking the government out of business, and putting business into government, if you men of affairs could be induced to readjust the social amenities so that occasionally a well-intentioned citizen might hold a public office without incurring the suspicion that he really does it because it is his only chance to get a full-Nelson hold on an occasional audience and compel it to listen, whether it wants to do so or not.

I find myself set down for some observations about the desirability of the fullest possible exchange of credit information. That means of course the fullest measure of cooperation to assure the soundness of the business and banking structure. Now, we bankers have long taken pride in the claim that ours is the greatest cooperative, the most highly socialized business in the world. The man who first conceived the idea of mobilizing the credits, the liquid resources and working assets of a community, through the functioning of a bank, took the longest step toward developing a working philosophy and procedure in socialism, that has ever been taken. All the philosophies of Karl Marx and Proudhon are as a drop in the bucket compared with the tremendous social fact that was accomplished when the first bank of deposit, issue and discount, was set up. There is a fact; a big, fundamental fact to which I wish it were possible to divert some of the attention of those pale pink radicals who nowadays propose to accomplish an economic revolution in the interest of the public, by such mild and moderate proposals as hanging the bankers and sending the "money trust" to perdition,

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A proper exchange of credit information, it has always seemed to me, is a logical and inevitable development in line with that progressive socialization which has been going on in the realm of business and finance from the time when the first bank of deposit and discount was set up. The whole structure necessarily rests upon good faith, upon mutual confidence, and upon certain rules derived from business experience which justifies us in expecting that most debtors will pay, and that the great majority of depositors will not all want to withdraw their accounts at the same time. It is reasonably safe to assume that there are not many among you experienced gentlemen who are in this room, who seriously believe in the guarantee of bank deposits. Yet there is a large class of people in the community who are convinced that such a system could be made to work, and that it ought to be and would be but for the unreasoning hostility of the bankers. Now, it seems to me that the nearest possible and practical approach to an effective and safe guarantee of bank deposits, would be found in a system that would come nearest to eliminating the danger of bad loans. If all borrowers were good, all the assets of the banks would be good, all the depositors would be fully secured, bank failures wouldn't happen, the curve of inflation and deflation would be very much flattened out, and in short, the life of the business man and the banker would become one long, sweet dream.

Quite obviously, the way to accomplish all this is, so nearly as possible, to insure that the banker will not make unfortunate loans. If that could be effected the dishonest man would get no loans, the reckless man would be compelled to have a care about his affairs, the speculator would be kept measurably under control. On the other side of the sheet,

this conservation of credit resources would make it possible for the honest man, the man of character, and probity, and industry, and sincere good intentions, to get the fair show and fair share to which he is entitled. There will always be enough of competition among banks, enough variation in the psychology, the points of view, the habits of mind, of individual bankers, to prevent the creation of anything like a trust in moneys and credits. The proper organization and interchange of credit information is, in short, simply one step in the evolution of the fundamental idea of the bank, toward a more nearly perfect establishment in its social and economic relations to the community.

The creation of clearing houses and their development has marked a long progress toward the realization of this ideal in banking. The clearing house examiner system, which is now established in a considerable number of cities, was a natural development, pointing in the direction of that mobilization of credit information which, once perfected and in practical operation, would be wellnigh the final guarantee of banking security and therefore of business stability.

It is inevitable that, just as there will always be some people who insist upon such false remedies as the guarantee of deposits, so there will also be people to object most strenuously to the application of some good and efficient measures of control. There are many among the older bankers who can yet remember when the right of the state to enter, examine, and publish the reports of condition of banks, was bitterly contested. But who, in the interest of either the borrower or the lender, the bank or its customer, would today propose that examination and pub-

lished reports be done away with?

In line with the growth of these instrumentalities, has been the development of credit associations. The credit man has come into his own. He is recognized as one of the most important factors in every business. Indeed, the credit man is the first line of safety, behind which all accommodations can reasonably be marshalled with safety. In his local, regional and national associations, he has contributed enormously to the establishment of reliable methods of business and of credit extension. To articulate his work with such a fabric of credit information as has been suggested, would further strengthen the entire business and banking structure.

We must always keep in mind, and in the discussion of such topics as this we can not too persistently remind the public, that the banker does his business chiefly with other people's money. Whatever is good for the banker, as a measure of assurance and security and soundness, is good for the public which deposits with him. It is good also for that overwhelming preponderance of the public which, whether borrower or depositor or both, is actuated by good, sound, honest intentions. It is altogether to the interest of the banks that business shall be kept sound and safe. It is equally to the interest of business, legitimate and deserving business, that the banks shall be sound, reliable, and shall enjoy the confidence of the community. These things can only be possible if the banker possesses the fullest and most reliable information concerning the status of his customers. In the long run, the customers will be the greatest beneficiary, for such a system as this, applied in moderation

and through wise cooperations, would go very far to insure the even tenor and stability of all business.