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*U. S. Comptroller of the Currency*

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ADDRESS OF THE COMPTROLLER OF THE CURRENCY, HON. D. R. CRISSINGER.  
SUBJECT: "THE COMPTROLLER'S POINT OF VIEW", BEFORE THE NEW YORK STATE BANKERS ASSOCIATION, HOTEL AMBASSADOR, ATLANTIC CITY, N. J., FRIDAY, JUNE 24, 1921.

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GENTLEMEN OF THE CONVENTION:

I come before the bankers of the Empire State and the Metropolitan city with some trepidation, but with all confidence that you will deal kindly with a country banker somewhat abashed in this presence. He is so new to official responsibilities as to feel profoundly modest about his justification to intrude upon your time and attention. I am glad of the privilege of coming to you, and from the bottom of my heart thank you for your generous greeting. It is my wish to learn, not to instruct; and I estimate highly the privilege of learning from men who largely represent national leadership in the vital function of economic circulation.

This has seemed an appropriate time and place to speak of international exchange in its relation to foreign trade. I venture that it never was so important as now, and that the wise and practical solution of its problems would represent one of the longest steps toward the security of human society.

At the beginning I want to say that in what I shall suggest I shall speak for myself alone. I assume all responsibility for the outline of a program that I am about to present, making no effort to commit any political authority to it, or to lead you gentlemen to assume that it comes to you with the indorsement of any fiscal agency. I offer it in the belief that it is worthy of your consideration, and that whatever will direct earnest thought to this question, will at least be of some value.

In a time when international exchange is so vital not only to our foreign trade and to the people throughout the world who have need for our products, we must take the broadest view of the relations among money systems.

Our earlier ideas about exchange have undergone some modification. The time was when the movement of gold in one direction and of products in the opposite was accepted as the assurance of substantial stability in the relations of currencies. But today we find our own country receiving gold in such quantities as to threaten us with gold inflation, while there is not a satisfactory compensating movement of our products to the countries which are sending us the gold. We are accumulating more gold than we need, while other countries, because of sending us their gold, are weakening their power to uphold the gold standard, to maintain an assured ratio of exchange, and to buy from us what they need to use and we need to sell.

There is not that freedom of commercial interchanges which in normal times is the great equalizer and leveler. The situation demands attention lest the gold standard be gravely impaired; and so I come to bespeak your earnest consideration for the problem. I want you to be sure that in every wise effort to deal with it you will have the fullest support that the national fiscal authorities can give.

After the civil war, our own currency was impaired by reason of paper inflation. Other countries had drawn from us much of our gold, and had

thereby been able to establish the metal basis of their currencies more firmly, while our own had lost that foundation. It was obviously sound policy for us, then, to deflate, to resume, to lift our own to the level of other currencies. We did resume specie payments; we did it so soon after the war's end, and despite the existence of so great a debt, that it constituted a striking demonstration of our economic capacity.

But the situation is now reversed. We are not only the great creditor nation, but we have put the reverse on the "Crime of '73" by making ourselves wellnigh the monopolists of the world's gold. There was a widespread belief in that earlier period that a too restricted supply of gold was distinctly to our disadvantage. Some among you will possibly recall that a quarter century ago certain gentlemen anticipated dire consequences from a drought of gold, and later were submerged in a flood of that metal. Somebody suggested then that if Noah had advocated the construction of irrigation works instead of an ark, he would have proved himself almost as good a prophet as Mr. Bryan. However, to be fair with Mr. Bryan, most of us were quite as amazed as he by the developments that left him standard on the Ararat of Sixteen-to-One. The truth is that none of us is very dogmatic nowadays about these questions; and in this is justification to hope for good.

Just imaginative souls were rushing two generations ago to California and Australia to dig gold. Thomas de Quincey published an essay on California, which solemnly warned that if they kept on digging gold, it would presently become degraded in value, useless as a monetary standard, and uninteresting even as an enhancement of milady's charms. De Quincey foresaw the break-down of the gold standard, pointing out that continued production of gold at the rate then attained could only bring cataclysm. Yet his fancy never approximated the huge production that was actually attained a few decades later when Africa, America, Australia and all the rest were turning out gold in their full flood. He was sure that gold would be debased and demonetized by the first rivulets; yet in fact a deluge was absorbed with no more effect than to establish gold as a wellnigh universal standard!

There are similar astonishing phases in the history of silver. One mountain in Bolivia produced for the Spanish conquistadores so much silver that European economists feared the ruin of money systems. It has been said that the inflation of money and the excitation of imperial ambitions in Spain, due to this one mountain's reduction into circulating medium, might fairly be held responsible for the adventure of the Spanish Armada, the overthrow of Castilian designs for world-rule, and the transfer of naval dominance to Britain. Yet the world of today has forgot the misgivings which that medieval inundation of silver aroused. The white metal regained its prestige, became the equal partner of gold -- and then was divorced again during the nineteenth century. It seemed doomed this time to a permanent inferiority; its price in terms of gold went down, down, down after 1896; -- and then, just when we were all about to bid it adieu it came back with a rush, and during the war commanded for a time an actual premium over gold at the "sacred ratio".

Prophecy is a dangerous business. The wisdom of one generation is apt to fall hard afoul the experience of the next. We may well avoid predicting consequences from the unprecedented conditions we see about the world today, but we will be warranted in studying the experience of other times, for whatever illumination it may shed upon the problems of today and tomorrow. We will be well advised if we go slowly about scrapping old standards and systems, but on the other hand we will be wise to consider wherein we might well modify, adapt, and modernize, the mechanism of credit and exchange.

In the middle centuries when the relations among money systems were less definite and systematic than today, banks of exchange were created in the Hanseatic cities to exchange one money for another. These banks played a large part in establishing the commercial importance of the Hanseatic towns and others which adopted the system. The city of Amsterdam placed its municipal credit squarely behind the Exchange Bank of Amsterdam, and the institution became a power in western Europe. Banks of issue were a natural development, for the exchange bank, when once its faith and credit were established, could put out its own notes, which were accepted by merchants wherever its reputation was known, and become a sort of common denominator among different kinds of money.

The wide circulation of these notes, which were not money but simply promises to pay money, presently brought the goldsmiths of London and the exchange banks of the continent to understand that it was not necessary always to maintain a 100 per cent. money reserve, because not all the outstanding notes would be presented at any one time. So the system of issuing circulation against a comparatively small reserve of metallic money grew up; and banking as we know it was the development of these experiences. Paying interest on deposits vastly expanded the scope by bringing in deposits of comparatively small amounts which, once aggregated together, enabled the bank to loan large sums and become a real financial engine.

There is so much mystery about the mechanism of exchange that people tend to fear international trade in a time of such fluctuating conditions as mark the present. It is for you banking leaders to tear away the veil of mystery, to help the public understand. You know that the depreciation of a nation's currency, in terms of gold, is sometimes the proof of determination to maintain its obligations on a gold basis. You know that the great government and quasi-government banks, with their perfected mechanism for testing credits and securities, are sound and reliable. You know that depreciation of a currency may be no proof that business transacted in it is unsound. You know that many currencies are likely to remain for a long period at levels which, tested by our gold-covered dollar, will be far below the pre-war parity, and that this need not be taken as an unmixed evil. You are familiar with the serious question whether it is going to be of ultimate advantage to us to have our own currency held at too high a level in comparison with the moneys of other countries. You realize that the most important thing is not the ratio of exchanges, but the permanence of some particular ratio. You can do much practical good by simple educational work to make the community understand these facts; and I urge you to do that in every possible way.

At the beginning of such an educational campaign I could wish that business men would study carefully the history of the Amsterdam Wisselbank or Exchange Bank. In a time when there was an even greater chaos in money systems than now, it established its own unit of value as a standard for settlement in international exchange. On the basis of this merely fictitious unit it was able to bring currencies into a remarkably stable relationship with one another and with this unit, which was called the Bank-guilder in Holland and the Bank-Mark in Germany. With this as a datum plane, so to speak, in money values, the bank made Amsterdam the chief clearance and settlement headquarters of Europe for generations. A study of its operations cannot but impress anybody with the striking similarities between conditions of that time and of today. Adam Smith, in his "Wealth of Nations"---a work that is quite worthy of more consideration than it gets nowadays -- gives some illuminating adversions on this institution, and Dr. Vissering, President of the Bank of the Netherlands, has recently published an excellent description of its workings, with a simple suggestion of how they could be adapted to modern conditions. Indeed, the operations of this institution have in the last year or two constituted the theme of many disquisitions

the basis of various plans, looking to the adjustment of present conditions.

I may frankly state my belief that the efficacy of international cooperative measures to deal with these matters must in large measure depend on the hearty participation of the United States. I need not state my reasons for that conviction; you will all know them without the statement. But I may frankly tell you that I have not always seen the matter thus. My present views have been forced upon me by study and observation of the whole range of financial and economic developments, and of the essential unity of the world's business fabric. People who want to feel generous may urge us to this kind of cooperations on the ground that we will be helping others. I do not need that unctiousness. I can urge them in all sincerity from the entirely selfish motive of helping ourselves; but I realize that in helping ourselves we will also be helping others.

It is possible that a generation of us modern bankers has grown up since the almost universal establishment of the gold standard, which has not been sufficiently familiar with the devices for equalizing exchange, that were employed in simpler times. Adam Smith, after alluding to the unsatisfactory and uncertain currencies of many minor states, proceeds:

"If foreign bills of exchange are paid in this currency, the uncertain value of any sum...must render the exchange always very much against such a state, its currency being, in all foreign states, necessarily valued even below what it is worth."

We have recently seen many instances of this: a country manages very well in its domestic commerce with its own currency, but finds it wellnigh impossible to get that currency accepted in international transactions at its domestic value.

"To remedy this," continues Smith, "such states have frequently enacted that such bills should be paid, not in common currency, but by an order upon or by a transfer in the books of, a certain bank, established upon the credit and under the protection of the state; this bank being always obliged to pay, in good and true money, exactly according to the standard of the state. The banks of Venice, Genoa, Amsterdam, Hamburg and Nuremberg, seem to have been all originally established with this view....The exchanges between the countries which pay in what is called bank money, and those which pay in common currency, generally appear to be in favor of the former, and against the latter."

Dr. Vissering, President of the Netherlands Bank, one of the ablest and clearest expositors of these problems, proposes what he calls an organized international system of barter. But on careful examination it will be found that he is really proposing establishment of a bank of settlement, to use a fictive unit of its own, precisely as the old Amsterdam and like institutions did. Applying the plan to present conditions, he proposes a general market in which the offerings of all countries would

be presented for what he calls barter, but which would really be ordinary commerce measured in terms of the bank unit.

He proceeds:

"Now that money has, for those countries, been discarded as an intermediary, a new intermediary will have to be discovered. For this purpose we can make use of a new form of exchange, which we shall call the barter institution.

"The simplest form will be that two countries set up such a barter institution between them. Take Germany and the Netherlands as an example. Germany would have to prepare a list of the goods she wishes to buy, and the Netherlands would state the quantity which they would eventually be able to supply to Germany. Germany would, further, have to furnish a list of what she could deliver immediately, and what within a comparatively short time, say three months to a year, after the harvest or completion of the process of manufacture. All these inquiries and offers on either side will have to be registered at the barter institute.

"On registration, the value will have to be determined, for which purpose the mark now in circulation can naturally no longer serve. The value could therefore, be fixed, for both parties, in Dutch guilders, or, if one has not sufficient confidence in the stability of the value of the guilder, a new unit of account can be selected, e.g. fictive gold mark or a fictive gold guilder, which would, in the end, naturally come to the same thing. These offers and, when eventually carrying out the deal, the delivery of the goods could then be cleared for their value, as is constantly taking place in contango business, when dealing futures and between bankers. Large amounts are thus mutually exchanged, by striking them off on either side of the account and only actually paying the insignificant balance left, such final settlements frequently taking place between two parties who originally had nothing to do with each other.

"Seeing that the same unit of account can be adopted for all transactions, either party is certain of obtaining the full intrinsic value of the goods supplied by him and will no longer have paper money palmed off upon him which upon subsequent re-issue to foreign countries may only possess a part of the value at which it was accepted.

"Through the intermediary of the barter institute it will be again possible to advance credit on goods to be delivered at some future date. Indeed, if it can be reasonably true that the electrical engineers in Germany will be able to deliver a certain number of machines within six months, for which machines they have already found buyers in Holland, provided the silk spinner will only supply the silk, the bankers and other money leaders may, in combination with the barter institute, render financial help in order to pay cash to the silk spinner, thereby granting credit to the engineers.

"Both the electrical engineers in Germany and the buyers of the machines in Holland can apply for this assistance from their bankers; a legal form can readily be found and from a financial point of view adequate guarantees will certainly be found on which the money lenders can base their credit.

"Each of the parties on either side may then convert the value in the unit of account of the barter institute into the currency of his own country. The following example will explain the method in which this is done:

"The engineers' production cost is  $x$ ; on delivering the goods they will, over and above this, make a profit of  $y$ . From  $x$  they will

pay the cost of all the raw materials, wages, etc. and y then ultimately remains as a profit at their disposal. They can convert this y into marks at the rate of the day, because other persons in Germany will also require a sum of y to purchase goods abroad. Should the manufacturers not require marks for their y, they may themselves purchase so much the more goods from abroad, or they will on the next occasion require so much less credit from the banker who had previously granted them credit.

"Similar calculations in fictive units of accounts were done on a large scale a few centuries ago through the Amsterdam Bank of Exchange, and the Hamburg Bank of Exchange, the latter only being transferred to the Reichsbank as recently as 1875. These institutions carry out international settlements and clearances in the bank-guilder and the bank-mark with great success, both fictive units of account possessing a remarkable stability among the numerous kinds of money in circulation in those days. The Amsterdam Bank was even the principal settling institution for the whole of Europe for more than 100 years.

"This barter institute will also be able to act as intermediary for new countries which do not even yet possess a system of currency, such as Czecho-Slovakia and Poland. The so-called bills on Prague and Warsaw are scarcely negotiable on the open market; by means of the unit of account of a barter institute these countries could be easily connected up with the world's money traffic.

"If the traders in the various countries take part in this barter institution this must, as far as possible, be done voluntarily. The dealers' own interest will induce them to join for it is obvious that everyone in Germany and the Netherlands has a personal interest in the resumption of normal conditions."

Dr. Vissering points out that his proposal has the authority not only of medieval usage in the case of the exchange bank, but of modern demonstration in the reorganization of the currency systems of the Dutch East Indies and of China. But he points out that in applying it on the scale required by present world conditions success would only be possible if the cooperation of many countries, preferable through their government, were enlisted. He proceeds "only by an extensive international consideration and conference will the way be open for granting these new credits and for the reconstruction of the world. And this conference will now also have to include the neutrals. \*\*  
\*\*\* An international conference, on a broad basis, must now therefore be made possible, not in the first place in order to lay down terms of peace and indemnities, but in order to prepare a common action toward reconstruction of the world. \*\*\*\* The governments of the various countries should take the initiative toward this end. If for state or political reasons the governments can not take the first steps in this direction, we trust that bankers and leading business men in the various countries will be able to meet and submit the matter to general discussion, with a view to preparing a scheme of collaboration."

I have entered thus somewhat lengthly into consideration of the old exchange banks and of Mr. Vissering's plan because I have thought it possible to give point to my own general idea, but employing these quotations. There have been many elaborations upon the idea of barter and of establishing a fictive unit of monetary exchange. Likewise there have been numerous proposals

for developing the exchange bank idea into a wide reaching international system. A number of excellent European authorities have taken our own federal reserve system as a possible model. They have suggested the Central Exchange Bank, to correspond to our Federal Reserve Board; with this, they would affiliate institutions in the various countries, corresponding to our Federal Reserve Regional Banks; and through such a chain of institutions they believe it possible to establish a currency of international transactions, while leaving each country free to continue its domestic operations, to deal with its debt, etc., in its own domestic currency.

I agree decidedly with Dr. Vissering that it is not necessary that such an international trade banking establishment should have the direct backing or participation of governments. On the other hand, I think it might well be brought about thro cooperative effort of banking leaders, and probably more quickly.

Two years or even a year ago, I would have hesitated to bring forward such a proposal. Then, American business sentiment decidedly opposed such international cooperations, because it feared they would draw in and drag down our own superior money system. But the events of last year and this have, I believe, done away with much parochialism and forced us to realize to what extent our own prosperity, our own rehabilitation, must depend on the restoration of the world as a whole. We find that we can not live and prosper alone. It is as necessary for us to sell as for others to buy; as necessary for us to join in extending credits to those who would buy as for them to secure those credits.

If my proposals seem radical, I venture that men who are most familiar with present international trade conditions will be least shocked at them. They know how grave is the situation in the world and how necessary it is to mobilize the credit of the world to deal with it. They know the suffering and deprivation that are being imposed upon men and women everywhere. They know how immanent is the danger to civilization itself if, for want of the courage to adapt new means to meet these conditions, we shall permit affairs to drift from bad to worse. They know of frozen credits, of the bottom fallen out of demand, of consequent idleness and suffering among the people. They know of capital unemployed, locked up in warehouses and factories when its potential production is desperately needed.

You of the banking and business world and we of the political world will be unworthy of the confidence that has been given to us, if we dare not nobly adventure in the effort to rescue the suffering people. This is no time for the selfish view. He who is merely less unfortunate must not stand aloof, imagining that by doing so he will strengthen himself still further. We will not climb up, by using as stepping-stones those peoples and communities who are hopelessly down. We must help them to stand, and to help themselves. In war, we learned how magnificently men could cooperate for a great

common purpose. If we will but see it, we have just as great a need for cooperation now, just as great an end to be attained in the rehabilitation of mankind, as we had then. Mighty social forces are at work everywhere. We have seen some of their most unfortunate results in the demoralization of great communities. We have seen that the attempted remedy may be vastly worse than the disease, if treatment be too long delayed. Our question, and we must face it soon is shall we treat these conditions before it is too late?

The world is not bankrupt. Society has not gone into liquidation. As a whole, mankind has just come through an experience that has proved an amazing, almost unbelievable, capacity to produce, to meet extraordinary demands, to sustain great stresses. The things accomplished during the war constitute the complete proof that in peace the structure of business will be able to uphold and restore itself. To make people know these things, to reestablish confidence and the sense of security, is in a large part the duty and obligation of you captains of banking.

Misunderstood and suspected by the uninformed, the modern system of banking has been one of the greatest socialization devices that our civilization has formulated. It is possibly the most nearly perfect scheme in economic cooperation that we know. Banks have at times been persecuted, and even destroyed, to the injury of the public interest, because it was not realized that wise regulation, not destruction, was the treatment needed. At other times banks have been accorded too much of the public's confidence; they have been induced to inflate, to spread their commitments too widely; and this likewise has caused disaster. In most cases the blame may fairly be divided between bad policies of the bank and unfortunate attitudes of the public. But on the whole their service has expanded, their administration has improved, the public's appreciation of them has grown. It is merest truism to say that without the consolidation, liquefaction and unification of credit which banking systems made possible, civilization could not possibly have supported itself under the strain of the last few years. And I want to say, in acknowledging the compliment that you financiers of the metropolis are paying to the country banker who is addressing you, that I recognize among my audience more than a few of the men who made possible that mobilization of credit and confidence. You gentlemen are of the profession which led in drawing together, cementing, directing, utilizing, the fragments of economic utility. These, once built

into a machine of irresistible power, saved liberty for men wherever they might live. The concept of economic oneness, of universal mutuality in interest, was the centripetal power that held the mechanism together and at last overcame the forces that would have wrecked everything and scattered broadcast the fragments of mangled, tortured, discredited and repudiated social systems.

Paying to you gentlemen and your profession this richly deserved compliment would impress on you your obligation to deal with and solve the problem of our international commercial relationships. I doubt if the men who under Washington and Hamilton, undertook the rehabilitation of our domestic finances and international credit faced more difficulties than I am thus cheerfully asking you to cope with. I caution you, do not attempt to deal with them alone. Summon to your assistance men of every section, industry and phase of enterprise. Cultivate the confidence and understanding of those who lead in every department of our economic life. Do not overlook the tendency of these times to recognize that he who produces the necessaries of life is entitled also to a generous measure of the satisfactions of living. Keep in mind that we shall have a stable commercial community about in the proportion that we shall have a stable industrial community; and that the stability of industry will be in about the ratio that the great producing multitude feels assured that it is being fairly treated and justly compensated.

I make no plea in opposition to the deflation of wages, the liquidation of labor; but I do say that we must liquidate rates of interest, the profits of the merchant, the burdens of the national debt and general taxation in as great, and preferably a somewhat greater proportion.

It has immemorially been an accepted thesis that you cannot finance a great war without inflation. Its acceptance means that nations expand their circulation and credit, in order to make a market for the securities with which government buys the necessaries of war. It buys these at inflated prices. Western Europe bought them at three to four times their normal values. In this country we bought them at possibly lower prices, but not much lower.

The question now arises—and it confronts all the nations — whether we shall deflate credit and currency and require the repayment of these debts in a currency restored to something like its former buying power. To do that will mean that those who hold securities which were purchased with cheap money will draw interest on them, and at last have the principal returned, in dear money. It means that the profiteer, or his children, or his grandchildren, will profit by the necessities of the great crisis. It means that for the privilege of saving our institutions of liberty we will pay, in economic terms, several times over. Is our present political and economic scheme,

taking civilized society as a whole, strong enough to stand it? The question has been asked in all earnestness by people who are entitled to respectful hearing. After all, the world's producers are the great mass of the people; and if once they become suspicious that an economic or monetary system is imposing upon them unfair and unjustifiable burdens, we can not be sure that they will willingly submit. There is nowadays too much questioning, too much doubting, a too cynical attitude toward long-established traditions. The future is likely to entertain no too good opinion of our generation, which has seen this world calamity. - True, we may plead that we inherited it from the ages; but tomorrow will have small concern for our explanations. - If we impose unduly upon its patience and credulity it may say; "No, we will have none of it. - It comes too high: Generation after generation, century after century, civilization after civilization, the world has been told that the mistakes of today may properly be paid for by the children of tomorrow. We will not shoulder the load." When that time comes, if it ever does, this world will face a remaking of institutions and traditions, such as it has not known in any period of which we have record. Tomorrow will feel less responsibility for the mistakes of today than we may think it ought. Tomorrow may decide that a scheme of things which has produced so many and so grievous mistakes is well deserving to be set aside and to be succeeded by some new experiment in human relation. That new experiment may be for the best, but radical experiments are dangerous and if possible, to be avoided.

Will we save the future from them, or will we invite the future to indulge them? - I am pleading for policies and programs which will look into a long and uncertain future with a view to the greatest ultimate good, the least final injury, to all mankind.

We are all familiar with the processes by which inflation of money and credits, together with the scarcity of goods and services, has caused a continuing depreciation of money and appreciation of prices. We have seen the classic illustration, in Cuba's experience, of how a country may find itself caught in a terrific crisis at the end of a long period of unprecedented prosperity. At the beginning of the war, almost anybody, if informed that for five years the island would have huge crops of sugar and sell them at the enormous prices it actually did receive, would have said:

"Cuba will be in proportion to population the richest country in the world at the war's end."

Instead, Cuba is in great distress, because its good fortune tempted it to extravagance, speculation, inflation of money, credit and prices. Yet, if you smile the smile of superior sophistication at little Cuba, caught in the wreck of its super-prosperity, I will retort that Cuba and our own mid-west farming country are in precisely the same pickle. The farmers made money so fast, on the high prices, that "everybody" did exactly what "everybody" did in Cuba; went to speculating in farms, forcing the prices higher and higher, selling and reselling on small payments, and discounting the notes which represented deferred payments. Then the prices of cotton and wheat and corn and hogs started downward on the same path that Cuba's sugar was following; and our farmers and agricultural speculators found themselves in full fellowship with Cuba's planters.

So we see that the profits of the profiteer, whether in Cuba or here, have disappeared. He can not meet his notes, the banks can not afford to carry him, and both he and the banks are being squeezed. Pretty much everybody is directly or indirectly affected and all of them together stop spending simple because they have nothing to spend. We call it a buyers' strike, but it is really a buyers' paralysis, a clotted circulation, a case of credits congested and "frozen".

The question is, what can we do about it? This brings us back to considerations of money, of foreign exchange, of international trade relations. We need to increase our exports, but in our new quality as a great creditor country, we find it more difficult than ever to export more than we import. The difficulty is increased by the fact that our money is the best in the world -- the most expensive. On a gold basis, five Italian Lira would buy a dollar's worth of goods from us. But the lira is so depreciated that it takes more nearly 20, now, to buy a dollar. Naturally, the Italian wants to buy in a market where he gets more for his money; and, our money being at the top of the entire heap, they are all trying to get things somewhere else rather than from us.

No two money systems have been depreciated in the same degree; none of them maintains any fixed relation to any other. They all fluctuate incessantly, adding the complications of uncertainty to the fundamental difficulties that grow out of our generally higher standard of money values in relation to gold. Is there any way in which, for the purposes of international trade, something like an international standard could be fixed, wherein to pay international balances at reasonably fixed and permanent rates of exchange? Is it possible to help the foreign countries to maintain one currency, with especially sound resources behind it, as a currency of international circulation, regardless of the domestic use of the present depreciated moneys of internal circulation?

Various projects looking to this have been put forward. In at least one case, that of Argentina, it has actually been done, and with apparent success; the value of the "foreign trade peso" was fixed at a definite relationship to gold, and of the domestic-trade peso at 44 per cent of the value of the foreign-trade peso.

But, whether, generally, it would be possible to effect such a stabilization through independent action of many governments, must be doubted. The question is an international, indeed a world-wide one. It would seem that international cooperative action is necessary to deal with it. And in considering the possibility of devising a plan, the inquirer inevitable finds himself wondering whether Hamilton did not point the way to us. At least, the thing Hamilton accomplished is worthy of serious study now.

Hamilton, when they were starting to organize the constitutional government, was asked by General Washington; "What can we do with the immense debt of these thirteen states, and of the general government as well?"

"Bank on it, and make it the basis of the soundest system possible," was the reply.

That was what Hamilton did. He consolidated and assumed the debts, pledged the credit of the federal government -- which was better by far than the average credit of all the states taken individually -- and created a great bank and a sound money system. His money had the elementary virtue of uniformity everywhere; and that is just what the world needs now as a condition precedent to resuming free international trade and exchanges.

I am aware that there has been much opposition to the United States becoming a party to any such cooperation in the effort to create an international medium for the purposes of international trade. It has been assumed that because our money was the best in the world -- the most expensive in terms of gold -- we could not afford to become partners in any international trade banking plan with states whose moneys were of lower quality. But I think it possible that, as we realize the discrimination that other nations are compelled to exercise against us for the very reason that our money is so much more expensive than theirs, we will be less and less disposed to hold aloof from plans which might be efficacious if we were party to them, and which, if backed by a banking structure based on especially segregated and guaranteed proportions of the national credit of many countries, might be found practicable, sound, and workable. For myself, I believe the plan deserves most serious consideration, and that this country could well assume an attitude of interest, even of initiative, in behalf of such a program.

In asking your consideration of this general idea which I have laid before you, I am moved somewhat by consideration of alternatives that will require attention, in my opinion, sooner or later, unless something in the nature of my proposal is taken up. These possible alternatives, if one may judge from discussions in Europe and this country, include proposals for a levy on wealth, international bond issues, international guaranty of the German indemnity, the ter Meulen plan of segregating particular property as security for rehabilitation loans, and various others. I have been strongly impressed that a plan based on accepted methods and banking experience would be decidedly preferable to any of these. This constitutes one of my strongest reasons for urging consideration of the general project I have put forward.

It will be well for us to consider what our position in international trade would be, if because of our aloofness from such cooperation other nations should unite without us, establish such a system, and thus give a special incentive and inducement to international trade among themselves, with us left out. There is already a good deal of reason to suspect that the cheapness of their money, as compared to our own, is not especially worrying some of the industrial countries that most directly compete with us. They realize the advantage they enjoy by reason of that condition. American manufacturers who have seen contracts go to countries with depreciated currencies, and who have realized how impossible it is for this country to bid successfully in many lines against those whose money is at a great discount compared to ours, will not indefinitely close their minds against considerations which look to removing this disadvantage. For the sake of ultimate stabilization of the world, of our own resumption of production, of our field of opportunity in foreign markets, and of restored political security in countries threatened with dangerous radicalism, it seems to me that the time is come when measures of this sort should be given the most serious and generous consideration by American business men and financiers.

The suggestion I am advancing is not new or novel. It has been put forward in varying forms by many students of the present situation. It offers, I believe, opportunity to deal cooperatively with the international phases of business without getting them involved with politics. If we fail to keep these two in separate compartments, and to help business independently of politics, we shall be likely to find business and politics at length so intertwined that they will require to be dealt with together. That, I take it, is precisely what this country is determined to avoid, and wisely determined.

I firmly believe that along the lines of my suggestion can be found a way to establish a secure basis for international commerce. With each nation, participating in such a project, free to maintain its own domestic currency in such relationship as it might choose to the international trade medium, there would be an ever-present incentive to improve the status of the currency of domestic use, and thus to better the outlook toward industrial revival and commercial stability. This is a concern of every nation, every people; it not only deserves, but it demands the most earnest efforts at cooperative treatment; and in passing the suggestion on to you gentlemen I venture that you are precisely the right group, armed with the necessary experience, vision and patriotic purpose, to lead in formulating both favorable opinion and definite plans. I cannot but feel that through some such instrumentality we should have a fair chance to create a modern machinery of international exchange, measurably independent of the domestic currencies of countries. The suggestion is offered for consideration, criticism, modification, and for rejection if it is valueless; but it is ventured with the thought that this is a time when constructive ideas are entitled to attention, when it may be permitted to offer new methods of dealing with new difficulties, and when the essential economic oneness of the world has been so profoundly impressed that there need be no undue hesitancy in considering means to promote that closer relationship in the arts of peace that is the surest guarantee against resort to those of international war or domestic revolution.