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ADDRESS OF THE COMPTROLLER OF THE CURRENCY, HON. D. R. BRANSINGER,  
SUBJECT: "THE VALUE OF COOPERATION", BEFORE THE CONVENTION OF  
THE NATIONAL ASSOCIATION OF SUPERVISORS OF STATE BANKS, BELLEVUE-  
STRATFORD HOTEL, PHILADELPHIA, PA., FRIDAY, AUGUST 5, 1921

GENTLEMEN:

There never was a time when perfect understanding and sincere cooperation between those banks which are under State supervision, and those which are under Federal, was so necessary, or so important, as it is to-day.

The banking fabric of the country is absolutely sound and secure; it is only necessary that all the elements and factors in it shall stand firmly together, shall adhere to the one general policy of public service in a time when it is so very important, in order to insure their utmost usefulness to the country.

I think nearly everybody recognizes to-day that the conditions which are delaying the return to industrial activity and commercial prosperity throughout the world are, to a considerable extent, artificial in their nature. Whatever else may be wrong, the world is not suffering from over-production. It is suffering from over-consumption for a long period of years, which has left it urgently in need of a resumption of production in almost every line and every country.

The people are not only ready, but anxious to produce. Everywhere they are reported out of employment in vast numbers.

Those who are not working need to work; industries which are idle need to be put into operation; railroads, which all over the world are in worse physical condition than ever before, desperately need to have many billions spent in their rehabilitation.

Thus there is need for employment of the unemployed, and for resumption of operations by idle establishments.

Somewhere between the would-be employer and the unemployed worker seeking work, there has been a collapse of the instrumentalities of credit, finance and confidence, which is making it difficult to resume normal operations.

The world has gone through so many periods of the same sort that it is hardly necessary to explain. The present depression is sure in due time to be succeeded by an epoch of great activity and abounding prosperity. Our problem is to hasten the return to normal conditions; and to that end no element in the community can contribute more than the bankers.

There is no disposition to invite conflict, as to authority or jurisdiction, between the banking establishment which is under Federal control, and those various classifications of banks which are under State control.

I realize at times there has been some disposition to misunderstanding and friction, but in a time like the present that must be put resolutely aside.

The most recent consolidated statement which has come to my attention indicates that the banking resources of the country are pretty equally divided <sup>between</sup> State and National institutions. In fact, the State institutions were in that report credited with slightly the larger volume of resources.

Their number is much greater than the number of National Banks; and owing to the wide variety among them - mutual savings banks, stock savings banks, trust companies, and ordinary State banks - the State institutions occupy a much wider and more variegated field than do the National banks.

Therefore, anything like failure of coordination and cooperation between these two great classes of institutions would be a misfortune and might even represent elements of potential disaster in such a time as the present.

It is the more important for us to recognize this situation in view of the fact that this country is the great pillar and support of the world's financial system. Our banking power so vastly exceeds that of any other country that we fairly say there is no possibility of comparison.

It is not my purpose to enter upon any controversial phases of the discussion that concerns relations between the State and the National banks. In the long run the question of functions of different kinds of banks is one to be answered by the legislative policies of the nation and the State.

We - you gentlemen on behalf of the State, and my own organization on behalf of the Federal Government - are the administrative supervisors of the various banking systems.

It is our business to administer the laws as they are, to get the best results in the over-sight of the institutions with which we are concerned, and not unduly to involve ourselves in discussions of those larger policies to which I have alluded.

I want all of you to be assured that the present aim and purpose of the Comptroller's office is to bring about and to maintain the largest measure of understanding, cooperation and united purpose, in behalf of the broadest public interest, between the National and the State banks.

You gentlemen have control over some classes of institutions which perform highly specialized and extremely important functions that are not committed to the National banks. There is an inevitable and intimate relationship, however, between the services that all banks are called upon to perform.

This would still be true if I should include among the highly important financial concerns the great insurance companies which are the trustees of vast savings and investments of the public.

It is my hope that the relations, not only among all classes of the banks, but between the banks and these great fiduciary concerns, will become increasingly intimate, making possible an increasing solidarity of interest and understanding to the great good of the public.

It is desirable that practical cooperation between State and Federal supervisory officials should be possible. Situations constantly arise in which a detailed and accurate understanding of financial conditions as a whole, affecting all classes of banks in a given community, is very necessary.

I do not need to go into details as to precisely what I mean. I do want to express my gratification that during my brief experience in the Comptroller's office there has been most satisfactory evidence of a disposition on the part of State officials to be helpful and broadminded in their recognition of this fact. I want also to assure you that in my own organization there is the fullest desire to reciprocate.

For example, a practical illustration will serve a useful purpose. Applications are frequently presented to my office for the issuance of National bank charters. In many cases, in smaller communities, there is ground for real uncertainty as to whether the financial situation of the community will be improved by increasing the number of banks.

As you all know, it is not infrequently the judgment of entirely unbiased persons, making the wider survey of conditions in a community, that it would be better not to increase the number of banks and to diffuse the banking capacity and responsibility too greatly.

In all cases which have arisen under my administration that justified an inquiry along these lines before granting a charter to a proposed National bank, I have considered the situation not only from the viewpoint of the National banks, but from that of the State banking authorities.

I feel that on both sides it will be advantageous if such a policy can be generally followed. I do not mean to intimate any prejudice against efforts to establish new banks, whether State or National.

I merely suggest that it is impossible to take the widest view of requirements without knowing the facts as to all classes of banks.

We are getting too many banks. - There seems to be a mania for starting banks. There must be a strong feeling that the banker occupies a position of vantage, the easy life, the road to riches. It is unaccountable that in this time of great stress, financial upheaval, there should be so many applications for banks and so many under \$50,000.

I am convinced that many applications are made with the intent and purpose of creating a place where the promoters can find easy access to credit. Applications that have this appearance I reject.

The needs of the community should be the test. I am convinced that in many instances, unpopular and unreasonable bankers are responsible for many applications.

In times like these, when borrowers are insistent, it is very easy to create a condition which will ripen into a demand for new banking accommodations.

It looks easy to the unthoughtful, would-be banker to start his financial career.

I have wondered if the new banker knew the sleepless nights that now haunt and torment the average banker, whether he would still want to assume the roll of financier with heartaches and troubled nights.

Since I have been Comptroller 52 applications have been voluntarily abandoned. They stopped, looked and listened to the financial storm, and banking became uninteresting. I have approved sixty applications and rejected 91, and I have pending 132.

Much has been said at gatherings such as this, and in the financial press, the bankers associations, and other interested organizations, about the desirability of cooperation between the State and Federal supervisory authorities in the matter of bank examinations not only for statistical purposes, but in many other ways.

It seems desirable that we should at not too infrequent intervals be able to secure, as the result of synchronized calls on all banks, a composite picture of the whole banking situation of the nation.

On the whole, some progress has been made in this direction, though there has not always been as much disposition to cooperation as might be wished. I earnestly hope that the conduct of the Comptroller's office may be such as to commend such cooperation to all of you and to insure the usual results that I am confident would come from it.

It is not possible to synchronize all calls because there is variation among the laws and practices of the States. It is merely my idea that there should not be a distinct divergence between State and Federal policies, and that the largest measure of unification should be brought about.

It is for this that I want to appeal to you gentlemen. I would be very glad if at least once each year simultaneous calls could be made on all banks; and my Bureau would be glad to publish officially the result of the consolidated showing.

I am sure you will all agree with me that none of us have known a period when there was a greater or more onerous responsibility upon the shoulders of men supervising the banking institutions.

If your experience has been similar to mine, and I have reason to believe it has, you will also agree that the community of bankers are animated by most commendable purpose of cooperation with the supervisory authorities. This is one of the finest features of the present situation, and has been most helpful in all efforts to handle the conditions presented to us.

The new relations of the Federal government to the National banks, brought about through the establishment of the Federal Reserve System, are now well understood. Policies have been developed and crystallized, and whatever possibilities of misunderstanding may have existed in the earlier operation of the Federal Reserve System, have largely ceased, or will be soon solved.

For myself and my own department, I can give the frankest assurance that it is desired that the advantages which National banks gain through the Federal Reserve System, may be shared so far as it is feasible and possible with other banks.

Wherever the power of the Federal Reserve System, gained through consolidation and centralization of authority, can properly be employed to assist the State banking authorities, the effort will always be made.

The subject of bank branches and agencies is of special interest at this time. For many reasons which do not require elucidation, it is desirable to have uniformity of law regarding the operation of branch banks, if we are to have them.

There is not only wide divergence in practices as between States which permit banks to operate branches, but in some States where branches are not authorized agencies are maintained for the transactions of particular lines of business, in some cases with, and in some cases without, legal authorization.

The importance of uniformity in these matters is obvious. It is a subject for the consideration of State legislatures and of such organizations as the American Bankers Association, the American Bar Association, and others devoted to bringing about uniformity among the laws of the States.

I have long felt that your organization could render a very useful service lending its influence in behalf of this greater unification and uniformity in State banking practices.

Uniform laws or regulations dealing with the payment of interest on deposits and extension of credits through overdrafts are merely features in connection with the matter I have just been discussing. They are, however, extremely important, particularly that of overdrafts.

In some countries the overdraft is the very basis on which credit is normally extended. Because it has not been the normal basis in this country, it has been liable to great abuses.

Our method simply is a different method; - long established, familiar to our people and bankers, and unlikely to be changed in any revolutionary way. I am convinced that there should be uniformity of law and practice in this regard, requiring the payment of interest on all overdrafts.

In times like the present we will do well to stand firmly together. It is important that the resources of all financial institutions be marshalled, if need be, in one reservoir for the common welfare.

It is vital that all bankers realize and understand the importance of standing firmly together - of upholding each other's institutions. It is well to remember that every failure in a degree undermines the confidence and trust of the people in the banks. It is important, essential, that the people have faith in the banks in times of stress like the present.

No greater service can be rendered by the banks of any community than to build up a strong reserve of confidence, faith and trust, and to see that such reserve is at no time impaired.

If at times a bank shows signs of distress - no greater service can be rendered by the banks of the community than to go to the assistance of the struggling bank and bring it back to usefulness.

To hope to gain prestige and strength by the misfortune of a neighbor bank is selfish, and invites distrust in the management of all banks, and undermines the confidence of the people, which is essential and necessary to successful banking.

It has been and will continue to be my policy to aid and help the banks, in every emergency - whether they are National or State institutions, I am a firm believer in Union there is Strength. It is only necessary for the banks to pool their resources to assure world financial supremacy of our country.

The combined financial resources properly used will not only rehabilitate our industrial activities and meet all our own requirements, but will ultimately save the other countries of the world from bankruptcy. The bankers in their respective spheres, can do much to stabilize trade, industry and commerce.

The people look to banks for encouragement and aid - for assurance of support in productive and legitimate undertakings. There is nothing wrong with our country - or our people.

There is nowadays entirely too much exploration of industrial and commercial grave-yards. Too much attention is being paid to the mistakes of the past, and too little constructive thought to the future.

Instead of looking for holes in which to fall, we need to concentrate our thought and energy to ascending the hill just ahead. The inspiration to do - to go - to be off will bring progress and prosperity. To promote this sentiment, let the resources of the banks be used in starting anew industry and business.

You can not capitalize the mistakes of the past, but stock in the future of our country will yield generous dividends.

Those who have been optimists, those who have played the bull side of the market on America, have always been the winners in this country. Not in two thousand years of well recorded history has there been a time when any country so securely held leadership and domination. So far as we are privileged now to see, the future is ours. Let us have confidence in ourselves, and in one another, and we shall surely realize the utmost that our hopes and aspirations have pictured to us.