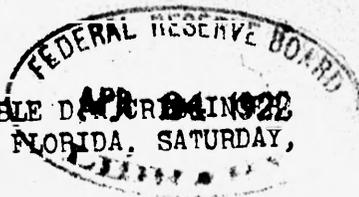


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ADDRESS OF THE COMPTROLLER OF THE CURRENCY, HONORABLE DAVID M. HARRIS, APR 24 1922  
BEFORE THE FLORIDA BANKERS ASSOCIATION, GAINESVILLE, FLORIDA, SATURDAY,  
April 22, 1922.



Mr. Chairman and Gentlemen:

It is a great pleasure for me to bring to the people of the South a real message of assurance. We are indeed around the curve and are moving steadily, strongly, surely and straightly forward on the road to more prosperous conditions. The business outlook of the whole country is brighter and more encouraging than it has been for the past two years. We are well rid of business and industrial froth, and in a position to go forward on sound and substantial lines. We are ready to start, to be off, to be doing. Business, industry, agriculture and commerce need only the awakening of American pluck, courage and initiative to insure the reestablishment of prosperity.

The banks which come under my supervision, in the main, are in condition and prepared to finance every productive enterprise, but should have nothing for speculative adventure. There has been wonderful improvement in banking and financial circles; money is easy and cheap, and as in the past, the banks again will be the bulwark of prosperity and the sheet-anchor of national progress.

It has been a very common observation, in this country and abroad, that the American banking system, serving as the last line of reserves in the world's economic scheme, carried the final supreme burden of financing the World War. If our banking system had not been equal to that strain, the burden would not have been carried, and the result might have been very different.

I think we can all agree as to this much of the facts concerning the service of our banking system, but there are some implications in such a statement that I believe are worthy of being somewhat developed, and of being better understood by the public. Quite aside from the excellence of our banking system, now that the Federal Reserve organization has been superimposed upon the old national bank structure, I think we must recognize that very much is owing to the popularization in this country of banks. By this I mean that the American habit of depositing in the bank and of making payment through it, constitutes the most effective possible mobilization of the credit resources of the country. No nation has ever had anything like so great a proportion of depositors in bank, and therefore all contributors to the great fund of community credit, as the United States. It is that particular fact, I think, which the nation well in hand, when the financial burden of the war was imposed on us. Some critics of the American financial system, have protested that the multiplication of small banks, involving heavy expenses, was an element of inefficiency. I am willing to agree that in some communities, I think in a great many communities, we have more banks than would be justified by considerations of the highest efficiency. But on the other hand, the multiplication of banks has broadened the invitation to the people to use the banks; to acquire the banking habit; to learn the meaning of credit, and the possibilities of its establishment and utilization. I am strongly of the opinion that in the long run this service has

been so important as to justify the great number of banks that we have in this country.

It is only within comparatively few years that banks have gone systematically into the business of advertising for business. Many of them have carried on extended campaigns of publicity, designed to educate the people in the advantages of using the facilities of the bank. This is a policy which, unless it is carried to excesses, as is of course possible in cases where competition between banks is unjustifiably active, is to be regarded as entirely good practice. Every time a bank induces a young man or a young woman, just beginning to earn his or her own money, to become a depositor, and therefore a regular contributor to the community's fund of liquid credit, it is doing a service both for that new depositor and for the community at large. On the one side, it is teaching to the new depositor the habit of saving and thrift. On the other, it is placing that person's savings where they can be effectively utilized as support for the going enterprises of the community. Moreover, the person who becomes a regular bank depositor does not commonly have to wait very long before he discovers that as a depositor he is creating for himself a credit standing which sooner or later he is likely to want to use in some business activity of his own. It is true, beyond any uncertainty, that to establish and maintain a bank account is one of the best beginnings that a young man or woman can make in business education. The country banker, intimately acquainted with his constituency, and having an especial influence with them, is particularly well placed to be of service in all such educational efforts.

A great part of popular extravagance is due to the failure to induce more people to become bank depositors. We all know -- nobody indeed knows so well as bankers -- that people are much more apt to spend thoughtlessly the money they are carrying in their pockets, than the money they have to their credit in the bank. There is no need to argue on this point; it is one of the most obvious bits of business experience, within the observation of every business man. The aggregate of money that people are every day carrying quite needlessly, and at heavy risk, in their pockets, would be a cash reserve of great value to national business, if deposited in the banks, so that it could be utilized.

And, just as the habit of wasteful and useless spending is encouraged among people who carry their ready money in their pockets, so the habit of useful expenditure, of substantial and profitable investment, is encouraged among those who keep their surplus funds in bank. In a time when there is so much need to induce people to build their own homes, it would be most illuminating and helpful if we could get statistics showing how much the habit of maintaining a bank account contributes to the probability of acquiring one's own home.

In this connection, I think every bank would increase its service to the public if it would make itself a sort of an investment educational center for its community of patrons. There are millions of people who do not happen to have thought much about the business of permanent investment, who would be glad, if it were called to their attention, if its advantages were impressed upon them, to become participants in permanent investments,

of one kind or another. The patriotic zeal of the war period was responsible for enlisting a new army of investors, who became purchasers of Liberty Bonds and in doing so learned their lesson in the establishment and utilization of sound individual credit. Many of these indeed have not been able to digest all that they undertook, but on the whole the results have been mainly good.

So I would urge every banker to make special effort to inculcate the habit of saving, of utilizing bank facilities, of keeping money in the bank rather than in the pocket book, and of making small investments whenever the accumulation is large enough to justify them. I think the bank which encourages the depositor with a comfortable and reasonably permanent balance to become an investor in sound securities, will in the long run benefit, even though at the moment it seems merely to be giving up some part of its available cash for current business. I do not suggest that bankers should become investment brokers, but merely that they should encourage and guide their clientele to this kind of investment in sound, reliable enterprises, and should use their influence to prevent flotation of fly-by-night schemes.

Whatever tends to increase the stability, the aggregate wealth, the average of individual wealth, in the community, will be a good thing for the banks. If you will look into the experience of those sections where most people are bank depositors and general investors, you will find that there the banks are soundest, most useful in financing industry and enterprise, and least threatened by the unfortunate consequences of temporary business depression.

If I may be permitted an illustration of some personal experiences, I may say frankly that I speak with some especial conviction on this point, because I happen to have been for a good many years a banker in a small city in which it was the constant policy and effort of the banks and business men to keep the control of business and enterprise in the hands of the home people. In my home town of Marion, Ohio, with about 30,000 people, and not one among them who according to the standards of these times would be regarded as really wealthy, we have built a rather remarkable number of industrial enterprises, owned in the main, and controlled, by our own people. That has been possible because so many people contributed to the fund of capital and credit, through using the banks and through making investments in the securities of local enterprises. As a result our town and its industries are comparatively independent of outside financial relations, while the town boasts that it contains a larger percentage of families living in their own homes, than can be shown in any other city of its size in the country -- a record of which we are frankly very proud.

I believe that similar results can be brought about in most communities, and that the bankers can make a most important contribution toward enlisting the public for such accomplishments. There is no greater need of our time than to teach habits of thrift among all the people. Thus alone will we ultimately be able to make good the great destruction of capital that has taken place in this world in the last decade. It is a great duty and a great opportunity for the bankers; particularly, the small bankers, who are close to their people and in position greatly to influence them. The whole mode of living and manner of handling the family business is often to be influenced for the better, by an attitude of interest, sympathy and

helpfulness of the banks.

I would not be understood as wanting bankers to be too complaisant in enabling people to borrow. They will serve better by showing people how to handle their affairs so that borrowing will not be necessary. There are a great many bankers who do not measure up at this point -- who encourage and even assist people in entering upon doubtful ventures. I have in mind one state which lately has suffered severely because its people engaged in a veritable orgy of speculation; -- speculation in which they were aided, abetted, financed to an utterly unjustifiable extent by their bankers. It was the case of a community, and of the individuals comprising it, being made the victim of too easy credit. We don't want it made too easy to borrow, but we do need to have investment made easy, attractive and safe. The period of depression has been the inevitable reaction from an era in which there was too much liberality in credit. We have suffered more from excesses of credit than from want of it -- in short, from borrowing too much. How different results would have been, if bankers throughout the land had shown people how to get on without borrowing for the gratification of their whims or the changes of mere speculation. If that policy had been followed banks would not have become over-extended and the people as well as the banks would be comfortably solvent.

There is presented right now a situation not at all alarming, in which bankers have the opportunity to render a real public service along these lines. You have all noted recently the evidence that on the speculative side business is rapidly coming back. Speculation always discounts the future, and sometimes more than discounts it. The tendency of speculation to absorb liquid capital into more or less fixed investments, is always to be guarded against. The general business situation will not in the long run be greatly benefited by merely marking up quotations of securities, and absorbing the cash and credit of the community into them at the new and higher prices. If people, in the hope of easy profits, invest their ready capital in speculative directions, they must understand that when productive business is ready for increased activity, it will be confronted with a dearth of ready capital, proportioned to the speculative activity that has gone before. Consequently, to the extent that bankers and investors, can restrain the tendency to absorb available capital in speculative investments, the community will be the better equipped for rehabilitating general business that will follow a little later.

I am not among those who regard the operations of the great centralized markets with concern. Rather, I recognize them as very useful and necessary utilities. I simply feel that even the most useful instruments are liable at times to be overworked, and I certainly do not feel that at this time a series of two-million-share-days on the stock exchange, representing a feverish speculative activity, would be to the public advantage. Business is "coming" back, and it is of the supreme importance that money and credit shall be available to sustain its renewed activity. Bankers, I feel very sure, will serve their customers well if they will exert their influence for moderation and against speculative excesses. The recent reduction of interest rates has been too generally regarded as an invitation to the speculative public to assume that easy profits are in sight. The present is a most appropriate time for bankers to admonish their clients against over-confidence in speculative investments. The world needs a

restoration of opportunity to produce and consume things needed for human progress, and bankers should keep in mind that the first call for liquid capital must be made in behalf of the farmer, the manufacturer, the exporter, and in general, the industrial and commercial community.

It is equally important that banks be kept from over-extending themselves by too liberal accommodations to speculative clients.

The United States continues the one first-class country that is maintaining its money system on a sound gold basis. To do this is the greatest immediate service we can do to the commercial world and to our own business. It is of the greatest importance that our currency and banking policies shall insure the maintenance of the high standard of American money in every financial center. If for a time, in order to accomplish this, the speculative interest rate shall be somewhat higher here than in some foreign markets, the ultimate results will be by no means unfortunate for our country. Better to maintain our position as the country with the soundest money system, than to encourage any speculative movement which might threaten another era of inflation, and a consequent postponement of the day when the gold standard can once more be established and exchange restored to its normal basis.

No section of the community is so well equipped to impress these considerations upon the public at large, as the bankers. Therefore, I would particularly appeal to the bankers, to exert their influence in the direction of a wise, cautious, considerate policy of business rehabilitation which in a time like this is absolutely necessary.

Our country has wonderful recuperative possibilities. Its varied and bountiful resources only need the touch and enthusiasm of American genius to make them yield their riches to bless and prosper us. I have abiding faith in the triumph of American enterprise and business. With our people divinely impressed with the faith that work and frugality are essential for human progress, the happiness of our people, and the prosperity and greatness of our country is assured for all time.