Fellow bankers:

To welcome you, the most representative and impressive group of bankers who gather in this district, is an infinite pleasure to us here at the Federal Reserve Bank. That it is a yearly event is even more pleasing.

The attendance and the interest you men always show in these meetings have encouraged me from year to year to take you more and more into my confidence in these few preliminary remarks. Knowing the sympathy and consideration with which you have always received the ideas I have seen fit to expound from this rostrum, I am going to have a heart-to-heart talk with you this afternoon on a subject of extreme interest to me.

Recently, with an able and highly regarded banker our conversation fell on central banking. I ventured the suggestion that a central bank, such as the Federal Reserve System, in this country was essential to the welfare of the economy. I must have implied that I thought all bankers accepted that premise. He started me thinking when he answered me by saying, "This country built itself without a central bank." I pondered that. My mind reverted to the past ups and downs of our economy - the two futile efforts to establish a permanent central baking system with the first and second banks of the United States, which failed to succeed largely because the people were suspicious that a central bank would concentrate too much power in the privately owned institutions in the more settled centers. This point of view doubtless emanated either from a lack of knowledge of the basic tenets involved or from the fact that the people did not
understand their own power to shape such an institution to their own needs.

We who bear a government debt of more than 250 billions of dollars, with every indication that the yearly deficit in the foreseeable future is going to increase that government debt, must face the fact that some form of stabilization in the issue of currency and the amount of available credit is a necessity, which presupposes the functioning of a central bank.

The banker's remark caused me to consider the position of the commercial banker. It occurred to me that the bankers of the United States did not understand their own power. From personal experience I can assure you that the Board of Governors of the Federal Reserve System is profoundly affected in its decisions by the thinking and advice of the members of the boards of directors and the officers of the twelve regional Federal Reserve banks and by members of the Federal Advisory Council. Such an attitude is essential to the proper functioning of the position. The members are very susceptible to the implications of the expressed policies of organized banking. The Board realizes that in a regional banking system the directors and officers of the regional banks are on the firing line and are sensitive to trends and public opinion. If the commercial bankers of this country thoroughly understood the power they might exert to shape our present central banking institution into a weapon that would be most effective from their point of view, they would study the theory of central banking and they would enter into its management and affect its policies as much as lies within the limits of their individual powers. Our central bank can be no better than the leadership which we give it.

My own picture of the Federal Reserve System as the central bank of the United States might well be likened to a building with a foundation upon which arises twelve supporting columns, topped by a roof. In this building the roof is the Board of Governors, the twelve regional Federal Reserve banks are the twelve columns that support it, and the foundation upon which both must rest is a broad base of commercial bank members. The roof can give reasonable
protection from the rains and snows of economic instability and stress only so long as it is held by its twelve supporting columns, and the whole structure must topple unless it has a broad and firm foundation. Now, how can that foundation be made lasting and firm? It can be properly built only by those who understand the banking system and are interested in obtaining the best results. That means you men right here in this room. What kind of a central bank do you want? Your past actions indicate you want a central bank that acts as a stabilizing influence on the supply of our currency and available credit as opposed to direct government controls. You want a central bank that supports and inspires private initiative and the capitalistic system rather than government direction and socialistic objectives.

Now, how can you best act to gain these laudable objectives? The quickest and most effective effort is for you to show immediate direct and intelligent interest in the Federal Reserve System because that System is susceptible to your influence and time has demonstrated its virtues. You are indeed lucky that the originators of the Federal Reserve System set up an organization which readily lends itself by its very nature to your designs. Almost any sound and properly managed bank can become a member of the Federal Reserve System, with a voice in the selection of its directors and officers and the making of its policies. Member banks have the right to choose a majority of the directors of each Federal Reserve bank and, indirectly, the members of the Federal Advisory Council. The Federal Advisory Council is composed, as you know, of commercial bankers and is compelled by law to advise with the Board of Governors at least four times a year. If you are truly interested in shaping the central banking system to suit your needs and your ideals, see that the right men are placed on the boards of directors of these banks so that they will follow wise policies and appoint officials who will carry out those policies to your satisfaction.

Membership in the System is essential if you are going to adopt this course. Do not stand off and watch others run the show. Become a member and make
your own voice heard. You can't lost by such an adventure. I venture the predi-
tion that if all banks in the United States joined the Federal Reserve System and
used their combined efforts to shape the policies of the central banking system
along the lines they thought best, the results would astonish you. When every
bank in the country has a voice in the policies of the Federal Reserve System,
those banks will insist that men acceptable to you and in accord with your think-
ing are appointed to the Board of Governors. You bankers will be then in a
position to force selection of men who are best fitted for these positions from
all the available material in the nation, and you, as member banks, will realize
that it is to your best interests to see that membership on the Board of Governors
of the Federal Reserve System is made so attractive, both in prestige and com-
pensation, that those top men will be eager to accept the responsibility of making
our central banking system what you know it should be. You can't accomplish this
by a critical attitude from the outside. If you are going to get these results,
you must work from the inside, constructively, unselfishly, and with full
knowledge of the theory of central banking. You must be immediate, intelligent,
and persistent. My advice to you bankers is to make it your individual busi-
ness to see that the economy of this country is safeguarded with the type of
central banking institution you want. To do it, become a part of the System.
Work creatively from within - not destructively from without. You will not
deliberately do anything to tear down the banking structure which has been so
painstakingly built by trial and error throughout the history of this country
when you assume these powers. On the contrary, you will use your utmost efforts
to preserve the kind of a banking system in the kind of a country in which we
are glad that we live.