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THE BANKER AND THE LAW.

Address of MILTON C. ELLIOTT to be delivered at meeting of Alabama Bankers' Association - held at Pensacola, Florida, on April 29, 1916.

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Mr. President and members of the Alabama Bankers' Association:

The Federal Reserve System has been in operation for a period of about eighteen months. The Act which created this System has been in force since December 23, 1913. It is natural that legislation of this importance should be the subject of both favorable and adverse criticism.

From these criticisms we are enabled to determine to some extent the attitude of the banker as well as that of the public.

From its operation during a period of abnormal prosperity it is difficult if not impossible to judge of the efficiency of any banking system. It is in times of stress rather than in times of prosperity that the real test must come.

An analysis of the adverse criticisms of the Act, however, will at least indicate what are supposed to be the defects in this legislation which must be corrected or which must be proven not to exist by experience or by a better understanding of the principles involved.

On the one hand it is claimed by a very large majority of those who have followed closely the operation of the System during its first year that it has inspired confidence; that it is developing sounder and more scientific banking practices and that in principle it is the most important constructive legislation that has ever been enacted by Congress.

On the other hand, there are those who say that it is a banker's law passed in the interest of the banker; that it may increase the lending power and the earning capacity of the banks, but that it does not make it easier for the borrower to obtain loans; that interest rates are still as high as ever, and that the farmer, the merchant, and the general public have not been benefited.

There are officers of member banks who claim that the Act imposes unnecessary restrictions and hardships on the banking business; that the transfer of reserve balances to the Federal reserve banks deprives them of earnings they have heretofore enjoyed; and that, while their lending power may be increased, other features of the Act offset any advantage that might be derived from this source.

There are officers of non-member banks who are inherently opposed to the System on general principles and others who are pursuing a policy of watchful waiting and who desire a practical demonstration in dollars and cents of the advantages to be derived from membership before becoming stockholders in any Federal reserve bank.

There are still others who, while admitting that confidence has been inspired and possible panics have been avoided) claim that the same results might have been attained by other less complicated methods.

One of the prominent New York publications recently contained an article claiming that the Aldrich-Vreeland Act providing for emergency currency would have accomplished all of the benefits that have been accomplished by the Federal Reserve Act.

The Wall Street Journal in a recent issue published an

article in which the following statement appears:

"The head of one of the largest banks in the country privately declared when the Federal Reserve Act was going through:

> 'We are not much concerned; we are gradually slipping our bonds; the state laws are being remodeled upon safe, conservative lines, and my own impression is that it is only a question of time when the national banking system is a thing of the past and the Federal Reserve System will be on the hands of the Government and not on the hands of the banks. We can get along without any national banking system in the United States if we only have strong central reserve banks under state laws.' "

I do not mean to suggest that bankers generally have made objections of this sort or that these criticisms represent the views of the majority. On the contrary the Federal Reserve Board and the officers of the several Federal reserve banks have had the cooperation and assistance of the bankers in placing the System in operation, and one of the most significant indications that the principles of the Act are both sound and scientific is the absence of any general complaint on the part of those who are most familiar with banking from a practical standpoint.

The criticisms which have been made may be said to represent four viewpoints:

(1) That of the borrower who assumes that to increase the bank's lending power correspondingly decreases the difficulty of obtaining loans. This is, of course, true in the sense that an increase of lending power makes available additional funds for conservative investment. It was not intended, however, to make it easier to borrow

money without the same security or financial responsibility that was required before the Act. The bank is naturally as anxious to lend as the borrower is to obtain loans where the security or financial responsibility offered is adequate. Interest rates, as a matter of fact, have been appreciably lowered in most sections during the past year. Whether this is due to the operations of the Federal reserve system or in part at least to an unusual period of prosperity, this criticism does not appear to have been justified. In any event a charge of this kind can not be properly considered without the facts upon which it is based.

(2) Another viewpoint to be considered is that of the officer of a member bank who feels that his bank is placed at a disadvantage in competition with non-member banks because of the requirements of the Act. To consider this and other like objections it is necessary to analyze some of the purposes and to consider some of the effects of the Act.

(3) The third viewpoint may be said to be that of those who are inherently opposed to any Federal banking laws and who feel that the States should have exclusive jurisdiction over and control of the banking business. This opposition has been mainfested from time to time ever since the adoption of the Federal constitution. A brief review of State and Federal legislation will best illustrate the difficulties involved in establishing a compact banking system where the banks composing the system conduct their operation under the laws of forty-eight States. These difficulties are manifest since a State has jurisdiction over transactions carried on within its

borders, while each bank is required as an incident of its business to engage in transactions outside of the borders of the State in which it is domiciled.

(4) The fourth viewpoint may be said to be that of the banker who recognizes the fact that the business of the country can be conducted to a greater advantage under a scientific banking system than it can be by several thousand unrelated banks, but who desires to be assured by a practical demonstration that the Federal Reserve System is scientific and will accomplish its desired purposes before he becomes a member of the System.

Before undertaking to discuss the merits or demerits of the Federal Reserve Act, it seems appropriate to consider the attitude of the banker towards banking legislation generally.

In addition to the Federal Reserve Act which was enacted by Congress, the various State legislatures in recent years have probably enacted more general banking laws than at any time during the previous history of this country. The trend of nearly all of this legislation has been to more clearly define and to provide for the regulation and supervision of the banking business.

Has this legislation been enacted at the instance of the banker in order to safeguard and promote the banking business or has it been passed as a result of a popular demand for greater protection to depositors and customers of the banks?

When we consider the fact, that there has been no popular outcry against abuses of banking powers; that there has been no concerted effort on the part of the public to correct supposed banking evils, is it not a significant fact, that the trend of

State as well as Federal legislation has been to provide for a more effective supervision and regulation of the banking business? May we not infer from this fact that the banker feels that his interest as well as that of the public will be best served by the enforcement of laws which will require all banks to conduct their operations along conservative lines?

It is unquestionably true that the officers of a bank rarely complain because of a too rigid examination of the affairs of the bank, but are much more apt to criticise a cursory and incomplete examination by a bank examiner. It was my experience as an examiner that the officers of banks were uniformly anxious to learn whether by inadvertence any provision of law had been violated, and to adjust their affairs so as to conform to all requirements of the National Bank Act.

The success with which the great banking business of this country has been conducted under an admittedly defective system is a sufficient proof of the conservatism and integrity of the banker. It is probably because he is lawabiding that he wants to digest any new or proposed legislation and to fully understand its purposes and probable effects. This being true, is it not reasonable to infer that recent legislation providing for a more careful supervision and regulation of the banking business is attributable to the fact that such legislation strengthens the banks and promotes the development of the banking business along legitimate lines? Conceding this, it is necessary to consider what necessity exists

for legislation of the character which has been enacted by the States as well as by the Federal Government in recent years. This necessity can be best understood by reviewing briefly the history of legislation on the subject of banking in the United States.

For many years banks were chartered by special acts of the legislature. It was not until 1838 that the free banking system was adopted by some of the States. In defining the corporate powers of the earlier State banks, various restrictions were imposed upon their operations. These restrictions related primarily to the amount of indebtedness that might be contracted and to the character of investments to be made. Some of these restrictions were the outgrowth of the prejudice that existed against banking during the early period of our national history and furnish an interesting illustration of the extreme to which the legislature may go.

The historians tell us that after the revolution the banking business was looked upon with fear and suspicion. The granting of a bank charter was almost invariably made a political issue which engendered the most bitter controversies. The first incorporated bank in the United States was chartered by the Continental Congress in 1781, and the validity of its charter was immediately brought into question. It was contended that the Federal Government was without any power to incorporate a bank, and in view of the doubt created a charter was obtained from the State of Pennsylvania in 1782. This bank which was known as the Bank of North America continued as a State bank until 1864 when it entered the national system.

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In 1791 the Bank of the United States was incorporated by Congress. The right of Congress to create this bank was questioned and its establishment was bitterly opposed. It was finally granted a charter for a period of twenty years. Upon its expiration Congress after a bitter fight refused to renew its charter.

In spite of repeated efforts on the part of those who were in favor of the establishment of another Bank of the United States it was not until 1816 that a charter was secured for the Second Bank of the United States. This bank which obtained a State charter before its Federal charter expired was finally forced out of existence by political influences. During this period it was almost equally difficult to obtain a State charter and those charters which were granted contained many of the same restrictions that are now embodied in the National Bank Act and in the laws of the several States.

In the "History of Banking of All Nations", by the late professor Sumner of Yale, published by the Journal of Commerce and the Commercial Bulletin in 1896, certain striking illustrations of the attitude of the public to banking are referred to.

It is said that in 1803 two bank acts in Vermont were vetoed on the ground " that banks demoralize the people by gambling and concentrate the wealth in the hands of the few and are useless to the many since they give credit only to the rich. "

In speaking of the Bank of Alexandria, Virginia, it is said that, "It required all the eloquence of Brandt of Virginia to persuade the legislature that the little Bank of Alexandria would not

sweep away their liberties."

It is said that in Massachusetts in 1799, "a law was passed making it unlawful to join any association to do banking of any kind unless authorized by law, the penalty being $1,000."

As illustrating some of the restrictions imposed upon the banking business it is of interest that in 1874, the legislature of Rhode Island passed a law, "fining any officer of a bank $50 for every check, note, or bill signed by him for less than $50 payable at any place out of the State. A fine of $5 was also imposed on any person who should pass a note for less than $5 issued by a bank out of the State."

Among the early regulations which were adopted either in the constitution of the banks or in the Acts of incorporation it is said that in the case of the Bank of Massachusetts, chartered February 7, 1784, "amongst the rules of this bank were the full names of all delinquents to be posted in the bank in order to avoid useless applications for credit; absolutely no renewals."

In a New York bank incorporated about the same time the constitution of which was supposed to have been written by Alexander Hamilton, the following rule was said to have been adopted: "No discount will be made for longer than thirty days, nor will any note or bill be discounted to pay a former one. Payments must be made in bank notes or specie."

Another interesting rule referred to which is in striking contrast with the publicity required in our banking business at

this time was that of a bank in Hartford, which was that, "what passes in the bank not to be spoke on at any other place."

In addition to these somewhat extreme and unusual regulations many of the early charters contained prohibitions against making loans or dealing in real estate, they limited the amount of money that might be borrowed by a bank and stipulated certain investments which could not be made. Nearly all required the maintenance of a proper reserve against deposits and against circulation.

A distinction was made between liabilities for deposits and liabilities incurred in other ways. It is claimed that this was due to the fact that deposits were created at that time by the delivery of actual funds to the bank and were not multiplied as they are today by the use of promissory notes, drafts, and bills of exchange. This distinction, however, has been continuously observed in the act regulating the banking business and is still recognized.

It was probably because of the political favoritism shown in granting bank charters and of the bitterness that developed whenever an attempt was made to procure such a charter that the free banking system was adopted by many of the States. Under this system banks were chartered under general banking laws adopted by the States. As a development of this practice banks were chartered in many States which had adopted no banking laws, under the general laws applicable to corporations. The charters granted under general laws lacked uniformity, were very broad in their scope, and in most instances were free from restrictions. It is only in comparatively recent years that the majority of the States have adopted laws regulating

the business engaged in by the banks, and it was not until 1863 that the Federal Government attempted to create a banking system by the passage of what is known as the National Bank Act. When we consider the restrictions placed on the operations of the earlier banks and compare these with the regulations now in force it is apparent that the tendency during the last fifty years has been to liberalize the banking business, and that only those restrictions which have been considered necessary to safeguard the interests of the depositor and customer of the bank have been retained. This is illustrated by the fact that in the fifty odd amendments to the National Bank Act nearly all have been along lines which increase the lending power of national banks.

For example, these banks were originally prohibited from lending an amount greater than ten percent of their capital stock to any one person, firm or corporation. By an amendment to the Act national banks are now authorized to lend to any one person, firm, or corporation an amount equal to ten per cent of their capital and surplus, provided this does not exceed 30% of their capital.

They were originally authorized to issue national bank notes to the extent of 90% of the bonds deposited as collateral security. This amount has been increased to one hundred per cent of the bonds so deposited.

They were originally required to maintain reserve against circulation as well as against deposits. All reserve against circulation except the 5% redemption fund was abolished by amendment, and

while the Aldrich-Vreeland Act was in force national banks were not required to maintain any reserve against Government deposits.

Liberality was also shown in the administration of the national banking laws. For example, in computing the liabilities against which reserves should be maintained banks were permitted to deduct balances due from banks from the balances due to banks, and to carry reserve only against the net balance due to banks. This practice has been confirmed by the Federal Reserve Act. In spite of efforts to liberalize and broaden national banking powers, both by legislation and by the administration of the laws, it was generally conceded that national banks were more restricted in their operations than their competitors, the State banks and trust companies. Accordingly, to place them more nearly on an equality with State banks and trust companies, the Federal Reserve Act provided for a further increase in the powers of national banks. By this Act the reserve to be maintained against demand liabilities has been reduced. National banks which were heretofore prohibited from lending on real estate have been authorized to lend a limited amount of their resources on farm lands. While they were limited in the amount of money that they might borrow from other banks they have been given the power to rediscount with Federal reserve banks their commercial paper, and have in addition been authorized to increase their liabilities by accepting bills of exchange or drafts which are based on the exportation or importation of goods; and with a view of coordinating their powers with those of trust companies many of which

do a commercial banking business they have been authorized to exercise, with the approval of the Federal Reserve Board, the powers of trustee, executor, administrator, and registrar of stocks and bonds, when the exercise of these powers does not contravene the laws of the State in which they are located.

It will be observed, therefore, that the banking powers of both State and national banks have been consistently enlarged and liberalized. It necessarily follows that as these powers are increased, the necessity for proper supervision and regulation is correspondingly increased, and it is in this view that the recent legislation providing for more careful supervision and regulation becomes significant. The danger that follows the failure to regulate the banking business is clearly illustrated by a consideration of the circumstances under which State bank notes were withdrawn from circulation.

It will be recalled that in their inception both State and national banks performed the functions of banks of issue as well as banks of deposit and discount. Before the Civil War State bank notes constituted one of the principal mediums of exchange, and their circulation and the power to issue these notes was looked upon as one of the most important functions of banking. Under existing laws, while State banks still have the legal right to issue bank notes only national banks and the recently created Federal reserve banks exercise this right. State bank notes are no longer in circulation. The fact that Congress imposed a prohibitive tax on State

bank circulation was due in part at least to the lack of uniformity in State banking laws, and to the lack of supervision and regulation of the business of State banks.

It may be said to be an elementary principle of economics that any substitute for specie currency must have a stable value if it is to be used successfully as a medium of exchange. If a credit instrument is to be used to discharge other obligations its value must be unquestioned. Accordingly, if a bank note is to be accepted in the discharge of an individual liability, the individual accepting the bank note must be assured that at his option it can be converted into specie at its face value.

Some of the States realize this and imposed the necessary restrictions on the issue of such notes. Banks were required to maintain a proper reserve of cash against them to make provision for their prompt redemption and the amount of issue was limited by the laws of the State. Others imposed few if any safeguards. Little or no provision was made for their redemption and the value of the note as a medium of exchange depended upon the reputation of the issuing bank. The inevitable result was that the notes of some banks were accepted at par through a wide section of the country. The notes of others were accepted at par in the immediate neighborhood of the issuing bank, but were discounted when offered in settlement of liabilities in other parts of the country. The notes of still other State banks had little or no value as a medium of exchange. As the States had failed to standardize their banking laws it be

came necessary for the Federal Government to pass an Act designed, among other things, to provide for a more uniform currency, and to accomplish in this way what the States had failed to accomplish by not providing for proper supervision and regulation of the banking business.

As originally passed the Act of 1863 authorized State as well as national banks to issue their notes on the security of Government bonds. In 1864, however, this provision was omitted when the original Act was amended and re-enacted , and in 1865 a tax of ten per cent was placed on State bank notes which were placed in circulation. While Congress would no doubt have created the national banking system in any event, since the Federal Government needed these agencies in the conduct of its fiscal affairs, it is at least probable that, except for the failure of the States to properly supervise and regulate the banking business, no necessity would have arisen for the tax which was imposed upon State bank circulation; and the fact that this necessity did arise demonstrates the value to the banking interests of supervision and regulation.

Since 1865 this form of bank credit has not been used by State banks but bank credit in the form of checks, drafts and bills of exchange is still used for many of the same purposes and constitutes a medium of exchange in commercial transactions in this country.

Mr. Brown, instructor in political economy in Yale University. in his work on International Trade and Exchange, says that it is estimated that more than nine-tenths of the total business

of the United States is carried on through the use of bank credit. This being true it is manifest that the same necessity for regulation of the banking business exists today that existed in 1864, and this necessity has been materially increased since the banking business has reached such enormous proportions and the powers of banks have been so consistently liberalized.

When we examine, however, the adverse criticism of the Federal Reserve Act, and analyze the indictments made against it, many of them seem to be based upon an objection to those provisions which are designed to scientifically regulate the banking business.

For example, the officer of a member bank who objects to the Act because he is required to maintain a proper reserve against demand liabilities, and who objects to losing interest on reserve balances usually carried with other national banks, fails to take into consideration that this regulation is in the final analysis a benefit rather than a burden, since it tends to strengthen the credit of the banks composing the System. He fails to appreciate the fact that the purpose of this provision is to provide for an actual reserve to take place of a reserve in form only; and to make this reserve available at all times. He overlooks the fact that experience has demonstrated that under the old system it was difficult in times of panic for a national bank to get the benefit of reserve balances carried with approved reserve agents. In estimating his loss from this source he fails to take into consideration that his lending power has been increased: (1) by a decrease in the amount of

reserve to be maintained; (2) by his ability to rediscount his commercial paper with the Federal reserve bank; (3) by the use of his credit in the form of acceptances in certain transactions; and that the potential earnings that may be derived from this increased lending power will more than offset any loss that results from interest on reserve balances.

The opposition of an officer of a non-member bank who is inherently opposed to Federal supervision is likewise based to a very great extent upon the assumption that Federal laws are too exacting and are enforced with too great severity. If this is not the basis of his contention it is somewhat difficult to understand why Federal regulation and supervision is less desirable than that of the States.

The suggestion that a compact system will be created by remodeling the laws of the several States has been more or less frequently made. The difficulties in accomplishing this purpose, are, however, at once manifest. If we assume that all of the States could be induced to adopt one standard of banking laws, thus providing for uniform regulation and supervision, this uniformity might be destroyed at any time by amendments to the State banking laws of one or more States. The laws of each State would apply to transactions engaged in within the borders of the State, whereas, each bank, as an incident of its business has transactions with banks and individuals in other States. Legislation might be uniform but the same laws might be administered with great liberality in one and with

severity in another State. It is not possible within the limits of this discussion to consider the many difficulties involved in this proposal, but it must be obvious that from a practical standpoint it would be exceedingly difficult to accomplish.

Conceding that the business of this country can be conducted to greater advantage under a compact and scientific banking system than is possible where it is handled by several thousand unrelated banks, it is manifest that objections made to the creation of such a system must be based upon local considerations. Those who claim that the same objects may be accomplished by less complicated methods apparently assume that it is only necessary to continue to liberalize banking powers in order to meet new conditions and that an extension of banking powers does not necessitate more effective supervision.

When we consider that the Federal Reserve Act deals with the various activities of banking; that it provides for a more effective supervision; that it adds to the power of national banks the ability to lend its credit in the form of acceptances; that it concentrates reserves so as to make them available when needed; that it provides a legitimate method for the rediscount of commercial paper; that it adds to the national banking powers the power to lend on real estate to a limited extent; that it permits national banks to act in certain fiduciary capacities; and that it provides a medium by which the surplus funds of one community may be utilized to supply a deficit in another; and when we recall that this important constructive legis-

lation was not undertaken until Congress had collected and analyzed more information on the subject of banking and currency than has ever been collected by any commission in the history of the world, it is difficult to understand upon what theory it can be argued that the Aldrich-Vreeland Act which merely added an additional method by which banks might borrow money to be used in an emergency can be said to afford the same advantages that are afforded by the Federal Reserve Act.

It is of particular importance at this time that a scientific and compact banking system should be perfected. The use of bank credit is constantly increasing in the conduct of the business of this country. In so far as a bank's business is local the reputation of those who have charge of its management may be a sufficient guarantee of its credit, but when a bank engages in transactions with those who have no personal knowledge of its management, reliance must be placed upon its statement of condition rather than upon the personnel of its board of directors, and the reliability of this statement must depend to a very great extent upon the character of the laws under which it operates and the manner in which these laws are administered. It is not sufficient that this statement shows an excess of assets over liabilities due to creditors, but the investment of its funds must have been made under laws which provide for proper regulation and supervision of its business.

Liberality in banking laws brought about by the single desire to increase earnings may reach the danger mark. The laws

regulating the banking business are, therefore, an asset of the bank. Every banker has an interest, not only in his own credit, but in the credit of every other bank with which he deals. Few commercial transactions can be completed that do not involve at some stage the use of credit, and bank credit is generally substituted for that of individuals in completing these transactions. It is, therefore, of interest to the banker to see that the laws provide proper safeguards and to cooperate in the enforcement of these laws. Where the public undertakes by legislation to restrict the exercise of business judgment and to substitute a rule of action prescribed by the law makers, it is necessary that careful consideration should be given to the interest of the banker. On the other hand, in reaching a conclusion as to the value of legislation, it is equally important that the banker should give consideration to the public interest as well as to the interest of the individual bank he represents. A law that places no restrictions on banking operations makes it possible for a few to endanger the business of the most conservative, since if public confidence is shaken the whole banking structure is affected.

The creation of a compact banking system is particularly important at this time. As a result of the European war this country is called upon to assist many of the neutral nations in financing their commercial transactions. This necessarily involves the use in other countries of the credit of banks in the United States, and other nations have an increasing interest in our banking laws.

The National Bank Act has served to accomplish the purpose its advocates claimed for it. Bank note circulation has been placed upon a substantital foundation, and as agencies of the Federal Government national banks have aided materially in the conduct of its fiscal affairs. Many of the disadvantages of the old independent treasury system have been overcome. With the benefit of more than fifty years experience Congress has been able to determine the defects as well as the advantages of this legislation and the new Federal Reserve System is a development of the system established in 1863. Unlike most of the previous legislation on banking and currency the Federal Reserve Act was not the outgrowth of a demand for legislation to meet a pressing emergency. Its provisions were adopted after mature deliberation and after an exhaustive study of the future as well as the present needs of the country. Those who are familiar with the intricacies of banking from a practical as well as theoretical standpoint have declared it to be based upon scientific and sound principles. The machinery for a strong and compact system has been provided. This machinery may require some slight adjustments from time to time which will be brought about by amendments proved to be necessary by experience. It is free from the objections which occasioned the alarm that was felt when the first and second Banks of the United States were organized. The public feared that then their liberties would be endangered by a concentration of power in one mammoth corporation.

The present system provides for a co-ordination of the

powers of the several thousand banks which compose it, but each bank is an independent corporation owned by independent stockholders and managed by directors selected by the stockholders. It furnishes a legitimate method of cooperation which gives additional strength to each member bank. It provides for a standard of regulation and supervision of the banking business which is more permanent than would be possible if the standard established were subject to modification by amendments passed by the forty-eight different States acting independently.

The rapidity with which this system develops must, of course, depend in the final analysis upon the cooperation of the banker. To the layman the advantages derived from membership far outweigh any possible objections which may be based upon the theory that membership of State banks in this System involves some curtailment of banking powers. The restrictions imposed are only such as experience has demonstrated to be necessary to properly safeguard the interests of those who deal with banks, and the fact that member banks are subject to these restrictions and to proper regulation will in the end prove an asset in the development of its business and not an obstacle to that development.

In times of unusual prosperity when the deposits and resources of banks are constantly increasing and there is a surplus rather than a deficit of loanable funds, it is natural perhaps that the banker should feel confident that, acting independently, he should be able to meet any emergency, and that he can obtain such assistance

as may be necessary from other banks with which he deals. It is in such times, however, that our system should be strengthened and that preparation should be made for any reaction that may occur. If this preparation is made in prosperous times it can be accomplished on more scientific lines than is possible if made only when there is an existing emergency to be met.

The economists are not agreed as to just what conditions must be faced following the close of the great European war, but they are agreed that we can not expect an indefinite continuance of the present prosperous conditions, and that sooner or later we must be prepared to meet conditions which are without precedent.

It is obvious, therefore, that, in analyzing this legislation, the banker should view the subject from a broad and comprehensive standpoint and should not let purely local considerations influence his judgment. It is equally obvious that any unusual demands that may be made on the resources of this country following the close of the European war can be met with less disturbance to our commercial prosperity by a compact, well organized system than by several thousand unrelated banks each acting independently. It is, therefore, to the interest of the bankers to co-operate in developing a system which will not only insure a continuance of prosperity in this country, but that will make it possible for the enormous banking resources of the United States to be utilized to advantage in the readjustment of the world's trade. A system that will enable the banks of the United States acting as nearly as possible as a unit to lend all possible assistance in the rehabilitation of the prosperity of those unfortunate countries which are now engaged in this great conflict.

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