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The Soul in the Dollar



ADDRESS
of
JOHN SKELTON WILLIAMS
Comptroller of the Currency



Before the National Bank Section of the
AMERICAN BANKERS ASSOCIATION
At the Annual Conbention at Kansas City



SEPTEMBER 26th, 1916

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The Soul in the Dollar

Mr. President, Members of the Association, Ladies and Gentlemen:

THIS is a political year, but so far as possible, politics will be kept out of this address which you have done me the honor to ask me to make before you. Unfortunately, it will be necessary for me to use now and then that most dangerous of all of the letters of the alphabet, for the speaker, the capital I. It is a matter of common observation that in colloquial or oratorical talk in which the dear I's are most frequent, the ideas are scarcest. I don't know whether that is a bad pun or a good epigram; but it is a fact.

The last time that I had the privilege and the pleasure of addressing this distinguished and tremendously important body was just fourteen years ago, when I appeared before it as Chairman of the Trust Company section of the Association. I wasn't a trust buster then and I am not one now. I knew then, as I know now, that with money and resources, as with an army, for efficiency there must be the power and facility for concentration for defense or attack, that there must be guidance and direction, and the gathering of units for a common purpose.

Your units are dollars, as the units of the military commanders are men. Your real business is to do your respective parts to see that those units are marshaled and applied, as occasions may suggest, for the good of your communities and the country, taking care that your depositors and stockholders shall have their fair shares of the resulting benefits in return for their faith and enterprise, and that you shall have your own just return for your labor and care and thought.

My understanding of democracy—not in its political meaning, as we make it now, not in its derivative meaning, but in the significance of it that all of us, of all parties here, accept—is that brains honestly used, thrift and industry, and even, if you please, good luck, allowed to us by the unseen powers, are entitled to their rewards. The diligent should, and must, prevail. The courageous will win and should win. The strong must hold and direct power. That is the law of nature and of the God who created and ordered nature. Thus far the law of the jungle and the law of human life hold together. The difference is that God has given to us soul and understanding.

Some of us have learned much since the last time I had the honor of addressing you; some of us by hard and painful experiences; some by careful observation and earnest study. In that time we have seen many changes in conditions and standards,

and in habits of thought. We are getting further, and each year further, from the law of the jungle.

Look back, gentlemen! Not so many hundred years ago we bankers were classed as mere money changers and usurers. Our predecessors won their gains by preying on the necessities of kings and nobles and common people alike. That was the jungle law put into polite and elaborately entangling and ruinous phrases, supported by the laws of all the old countries. Now and then it was found necessary, in England, and other lands, to change the laws on usury and decree violent penalties to save the throne, the haughty nobility and the yeomanry from the rapacity of the money lenders. The forces of law and arms were set up against the force of garnered riches; sword and rope and lash were applied in attempts to check the ceaseless encroachments of usurious interest; but in these modern days we have learned that the dollar has a soul, and that even great accumulations and gatherings of dollars may have souls.

In this connection I may define the word soul as the inspiration of a real and high purpose. John Randolph, of Roanoke, described a corporation as a thing without a body to be kicked or a soul to be damned. As we know now, many of us by painful experience, our legislating powers, administrative officers, courts and labor unions have found innumerable ways to kick corporations and the accumulations of capital they represent. Perhaps

partly because of this kicking and certainly because of what I may call the improved civilization of our standards and an understanding of our relations with each other, our corporations and our dollars have developed and are developing souls.

We are learning that justice and mercy are sound business principles and make the one sure foundation for enduring and real business success. If the history of the human race, of countries, communities and individuals proves any one fact, that fact is that no community can thrive permanently or continue to exist where the few gather great riches and the many are deprived. In the jungle the ruthless use of strength or craft, the sudden spring of overmastering power on weakness, the stealthy destruction by cunning of the unwary, are appropriate. These are the beasts that perish. They do not build or think for the future.

We of the human kind are made to build, to establish, to plan for those who are to come after us, to contribute something, each as he can, to the permanency and usefulness and growth and greatness of our nation. We know the only real prosperity is the widespread prosperity in which all share; that the one assurance for stability of government is the justified contentment of the masses of the people. That is not politics. It is, maybe, a trite statement of the conclusions of all the social and economic philosophies and of the opinions of all the thinkers of all parties and countries.

But it is like some of the principles of our religion. They are drilled into us from childhood and live in our memories. We recognize their theoretical truth and beauty and value, try to impress them on others—and then in the moment of opportunity or temptation, go in for the immediate grab, snatch at the fruit of profit dangling before our eyes; apply the law of the jungle, forget that we are men, and in effect become tigers, cormorants, crocodiles, panthers—even carrion eaters feasting on some commercial carcass. We people of this great banking world of ours can do for each other no better service than to continue to reiterate to each other the old axioms until they are graven on our hearts and expressed in our daily transactions and in our attitude toward our customers and the public.

Gentlemen, it is difficult to comprehend the enormous growth in strength we have achieved in the fourteen years since, as a banker, I addressed your Association. It may be even more difficult to comprehend the corresponding increase of our responsibilities. We have outgrown responsibility to our own country and generation. We have become responsible to the whole world because we have become the supreme world power, especially in that vital department reaching to the root and core of all things which we here directly represent—the financial.

We have become responsible for the future of the human race. This republic is the hope, the

refuge, the one unshaken and unshakable edifice among all that mankind has built. You have a homely—and I hope a familiar—illustration in your pockets. Each of you has some paper money. I venture to say that not a man here has looked to see whether the notes in his pocket are issued by a National Bank on the Pacific or the Atlantic Coast or in the most remote country town, or by the Treasury for gold or silver or by a Reserve Bank. All any of us look at is the denomination and the “U. S. A.”—the United States of America—the signature of our “Uncle Sam.” We know that stamp and signature make that piece of paper as good as solid gold, not only here, but everywhere in the world. And it is virtually the only paper money that is received everywhere in the world to-day as representing its full face value in gold. Our dollars are the good dollars and the dominant dollars. It is for you gentlemen, controlling the powerful banking interests of this supreme country, to determine whether these dollars of ours shall prey upon our own country and the world with teeth and claws, or shall have souls put into them to up-build, to help to heal the horrible scars of war; to lift the stricken to strength and hope. In this connection some one has prettily said that “By doing good with his money, a man as it were, stamps the image of God upon it, and makes it pass current for the merchandise of heaven.”

Let us look a moment to see what we have done, and where we are just now. I have said some of this before elsewhere, but the facts and figures are tremendously impressive.

No nation on this planet; no nation at any time in the world's history, has ever made such gigantic strides forward in material wealth, in commerce, in industrial growth, or shown such wonderful advance in banking resources, deposits and in savings as has this country of ours in the fourteen years which have elapsed since I last had the pleasure of addressing you.

I will try to avoid details, but I do want to bring before you figures expressive of our country's growth from 1902 to 1916, which must arouse the attention of every citizen.

Let me begin with our national banks, whose total resources in 1902, amounted to just six billion dollars, for the 4,535 national banks then in operation. To-day there are over 7,600 national banks with fourteen billion dollars of resources. In this brief period the resources of national banks have doubled, with two billion dollars of additional resources thrown in for good measure. In the summer of 1902 the deposits of the national banks were 4,468 million dollars. At the time of the June, 1916, call, these deposits amounted to 10,877 million dollars, an increase of 6,409 million dollars, or 143 per cent.

Deposits in our national banks alone now exceed by 250 million dollars the aggregate deposits held by all banks, national and state, including trust companies, in 1902—just fourteen years ago.

In 1902 the total deposits of State banks, savings banks, trust companies and other banking concerns under State supervision aggregated six billion, one hundred and fifty-seven million dollars. On June 30, 1916, the deposits of these State banks and trust companies exceeded 15 billion, 470 million dollars, an increase of more than 150 per cent.

I trust I will not be accused of talking politics if I should call attention to the pleasing fact that the greatest increase in deposits of both national and state banks (including trust companies) which was ever made in any three-year period in our country's history has taken place in the past three years. It may also be a gratifying discovery to you gentlemen of the national bank section to learn that while the deposits of state banks and trust companies have, during this period, increased over 3,480 million dollars, or about 29 per cent., the deposits of your national banks increased more than 33½ per cent., or 2,733 million dollars, showing that since the passage of our Federal Reserve Act, which was approved by President Wilson December 23, 1913, the deposits of the national banks have been growing decidedly faster than the deposits of the state banks and trust companies throughout the country.

The tremendous growth in wealth and banking power which these figures indicate may be more fully realized when I tell you that the increase alone in deposits in all banks since June, 1913, exceeds by 500 million dollars the total amount of all loans and discounts made by all the banks in the United States—national banks, state banks, trust companies and savings banks, for all purposes of trade, commerce, industry, agriculture and business of every kind, as late as the year 1900.

The records show that business in every direction has expanded so enormously that the total clearings of our clearing house cities which, for the year ending June 30, 1902, aggregated slightly less than 112 billion dollars, amounted for the year ending June 30, 1916, to more than 224 billion dollars, an increase of more than 100 per cent. in fourteen years. These colossal figures become the more impressive when we consider that the bank clearings represent only about 40 per cent. of the total bank transactions in these clearing-house cities.

Is it not hard to grasp the thought that this country of ours, which in 1902 had already reached a pinnacle among the nations, has since that year doubled the volume of its business in virtually all the great cities of the land?

The latest census records as to manufactures are those for the year 1914, taken in the midst of the depression which followed the outbreak of the European War. Since 1914 manufacturing inter-

ests of all kinds, as we all know, have been prodigiously stimulated. If, however, we compare the census reports giving the figures for 1899, as to manufactures, with the census reports for 1914, we get the following results:

The number of manufactories increased in these 15 years from 207,000 to 275,000, or 32 per cent. The average number of workers employed in factories on salaries or wages increased from 5,076,000 in 1899 to 8 millions in 1914, an increase of nearly 3,000,000—almost 60 per cent.; while the value of the products of our manufactories was increased from 11,406 million dollars to 24,246 million dollars, an increase in the value of the products in this period of nearly 13 billion dollars, or 112 per cent.

By 1902 the United States had become the greatest manufacturing nation on earth, and her output of coal, which is largely the basis of all manufacturing, had reached the enormous total of 301 million tons, already far exceeding the total output of Great Britain, formerly the greatest coal-producing country on earth. For the year ending June 30, 1916, the official estimates place the coal production of this country at 601,900,000 tons, which is just twice our production in 1902, our production of coal for the past year being far greater than the combined production, even in normal years, of the British Empire, the German Empire, and the Republic

of France, which, next to this country, rank as the three greatest manufacturing nations on earth.

That you may form some idea of the enormous expansion which has taken place in the iron and steel business since the 1914 census as well as since 1902, I ask your attention to the following figures:

The production of pig iron for the year ending June 30, 1914, was reported at 27 million tons; for the year ending June 30, 1916, the output is given at 37 million tons, against production for 1902 of only 17 million tons.

The output of iron ore for the year ending June 30, 1914, was 57 million tons; for the year ending June 30, 1916, the production was 66 million tons, against only 35 million tons in 1902.

The production of steel, which for the year ending June 30, 1914, was given at 27 million tons, had increased for the year ending June 30, 1916, to 39 million tons, against only 15 million tons in the year 1902.

The story of our railroads for the period from 1902 to 1916 fully corroborates the other figures expressive of our commercial and industrial growth. Although our railroad mileage increased from but 200,000 miles in 1902 to 260,000 miles now, the latest figures available indicate that 300 billion ton miles of revenue freight were the record for the year ending June 30, 1916, against 157 billion ton miles in 1902.

The gross earnings from operations of these roads for 1902 were 1,726 million dollars. According to the latest figures obtainable, these earnings for the twelve months ending June 30, 1916, amounted to $3\frac{1}{2}$ billion dollars, an increase of approximately 100 per cent., while net earnings from operations, which in 1902 were reported at 610 million dollars, for the year ending June 30, 1916, reached approximately 1,200 million dollars—showing that our great transportation lines are enjoying as a whole a full share of the country's prosperity and are very far from being run at a loss.

The capitalization of the railroads, including bonds and stocks, increased during this period, approximately from 12 billion dollars to 20 billion dollars.

Progress and efficiency are shown in the fact that, while we have now about a million more freight cars than we had in 1902, the average capacity of all freight cars has also increased from 28 to 40 tons per car.

This country's exports in merchandise for 1902 were 1,381 million dollars. For the past fiscal year, our exports aggregated 4,333 million dollars. In other words, our exports for the past year exceeded our total exports in 1902 by the colossal sum of nearly 3 billion dollars. Our imports for 1902 were 903 million dollars. In the fiscal year 1916 they were 2,197 million dollars. Our credit balance of trade in 1902 was 478 million dollars. For the past

fiscal year it was 2,135 million dollars, and is still growing.

Patriotic Americans have the right to gloat over such a showing with swelling pride. Ambitious Americans—and ambition is one of the chief elements of patriotism—may read in them brilliant promise of a future of almost inconceivable greatness. Thoughtful Americans will find in them cause for fear that wealth may betray us into rapacity and inequality of distribution that will mean destruction; or cause for noble dreams and hopes that our riches may be applied with magnificent and intelligent benevolence, to bless the world and augment our own prestige, power and accumulation.

Rome, mistress of the world, rotted to death from wealth, luxury and sloth. The internal relations of her people with each other, and her conduct towards other peoples, were directed by the law of the jungle. We can share Rome's fate only by imitating Rome. We are in a world infinitely vaster than Rome knew. We can hold in it power and place far beyond the wildest vision of the proudest Romans if we will absorb the teachings from the fates of the peoples who have gone before us and failed miserably; learn to regard the highest ideals as real and powerful things; accept as a firm conviction the belief that as a nation Providence and circumstance have entrusted us with an actual mission.

The ancient historians tell us that a census of Roman citizens was taken in the reign of the Emperor Augustus, about the time of the birth of Christ, and that the number was estimated at 25 millions, including the districts and provinces of Italy, Gaul, Spain, the Balkan Peninsula, Greece, Asia Minor, Syria, Egypt, Northern Africa, and the islands in the Mediterranean.

Gibbon, the historian, estimated that the revenues from the provinces of the Roman Empire were the equivalent of about 100 million dollars of our gold.

The annual revenues of the United States Government at this time are 1,000 million dollars per annum, or ten times the revenue of the ancient Empire of Rome in the Golden Age; while the total incomes of the people of the United States in the past twelve months are estimated to have amounted to not far from 35 billion dollars, and the people's savings, over and above their cost of living, to between six and seven billion dollars.

It is worth our while to turn our minds back over nineteen crowded centuries, to reflect that Rome was where we are—the greatest, strongest, richest power of the known world. There is solemnity and seed for wisdom in the reflection that Rome was; and perished. At the very zenith of her power and pride and wealth, the same Augustus who took the census foresaw for her the same perils thoughtful men now foresee for our own Republic. He at-

tempted measures of reformation, of preparation, of prevention against disaster, which it will be well for us to consider thoughtfully. "In all times of our adversity, in all times of our prosperity, in the hour of death and in the day of judgment, Good Lord, deliver us" runs the Litany. Men wise as Caesar Augustus wrote that for us to use in our prayers. They understood, as he did, that the dangers of prosperity are as deadly as those of adversity, death and judgment; and that pride, vain-glory and hypocrisy may destroy congregations and nations as they do individuals. Countless sages and thinkers have given us the same thought and warning. Kipling expresses it musically:

If, drunk with sight of power, we loose
Wild tongues that have not Thee in awe—
Such boasting as the Gentiles use,
Or lesser breeds without the law—
Lord God of Hosts, be with us yet,
Lest we forget—Lest we forget!

Froude tells us of the Emperor Augustus, that under his reign—

"Society had grown ashamed of its orgies, and returned to simpler habits of life, and the Emperor led the way in the reform. Like Charles V, Augustus banished plate from his household, and was served with the plainest food on the plainest earthenware. * * * His

furniture was scarcely fine enough for a private gentleman. His dress was homespun, not distinguishable from the dresses of his attendants, and to emphasize the example, was manufactured by the Empress and his daughter. * * * He was punctilious in each and all of his religious observances. * * *; and during his long reign the harassed peasant, who at last could till his farm and eat his bread in safety, poured libations with unhesitating faith to the divinity of the Emperor.”

Here and now, each of us sovereign by right of birth, each of us entrusted by Providence with power among his fellow sovereigns, may realize profitably how well we might use that power by promotion of the habits of simplicity and austerity. It is easy to imagine that if the principles taught by the great emperor had become part of the permanent life of the Roman people, the power of Rome would have remained unshaken. It is easy to know that if this nation of ours is given over to luxury and riot, to huge wealth unequally divided, to effeminacy on one side and misery and rage on the other, our destruction will come surely, swiftly and shamefully, without even the alleviation of pity or sympathy, with all the added ignominy of the world's contempt, and the knowledge that we will live in history, not as an example of grandeur, but as an instance of disgraceful failure.

The wealth of this country at this time has become so vast as to be beyond the comprehension of the average mathematician, and we are learning now to think, financially and industrially, in astronomical units.

We have to-day a population of more than 100 million people, with more than 40 million men, women and children engaged in gainful occupation—employed in the creation of more wealth—piling Pelion on Ossa.

If we should divide the new wealth created annually among all the men, women and children engaged at work, they would have not far from \$1,000 per year each.

It would not be difficult for this nation, by economy, thrift and efficient work, to increase its annual savings, which two or three years ago were estimated by expert English economists at five billion dollars per annum, to ten billion dollars per annum; and this huge sum could then be used to help forward the development of our own country; for the promotion of civilization and for the advancement and upbuilding of the near and remote countries of the earth. But, while we are planning gigantic schemes for world development, let us not forget that the most immediate and vital business duties which lie before us relate to the upbuilding of our home enterprises, especially the smaller factories and mills and development undertakings in the lesser cities and towns and in our country dis-

tricts. Those provide the surest and safest foundation on which to erect national wealth.

They keep money at home in local banks and in active circulation in the territory in which the laborer lives and where the capital is invested. They provide work for home people, employment for home capital and energy, trade for home merchants. They make also opportunity for talent and give means of sturdy resistance to encroachments on the pockets of the people by great monopolies. They tend directly toward promotion of the intimate and cordial relations between employers and employees of all grades, which make for ideal conditions.

In a letter which I had the honor to receive some years ago from England's great statesman, Mr. Gladstone, he spoke of the vast power of production of this country, and predicted that the time would come when our wealth would overflow into other lands. This predicted hour has struck. The time has come, and our wealth is already overflowing into other lands with a rush and abundance never before witnessed in the history of commerce or of finance.

Students of the situation estimate that this country is now creating wealth over and above the living expenses of the people at a rate four or five times greater than the savings of the British people at the time when their income was greatest and

their investments in foreign countries were at the maximum.

Just two years ago, after the outbreak of the European War, we were considering how we could find means to meet our floating debt, estimated at 350 million dollars, in gold, which was to mature in Europe between September first and December thirty-first, 1914, and what we should do to avert financial calamity if the European nations should begin to unload upon us their American securities, of which they held an amount then estimated at four to four and a half billion dollars. In the two years which have intervened we have paid this floating debt in full, have bought back of the American securities held abroad an amount estimated at between two and three billion dollars, and have loaned to foreign nations in both hemispheres one and a half billion dollars of new money.

If a balance should be struck to-day, taking into account the amount of our securities still held in foreign countries and the amount due our people on account of their foreign investments, the probabilities are that we would find ourselves for the first time in our history, a distinctly creditor nation. We hold a mortgage on the world's physical assets. The world holds a mortgage on our soul, on our good will and broad nobility of purpose.

Gentlemen, all of us know the self-multiplying power of money, the capacity of wealth to propagate and increase itself. The law of gravitation, as

we know, applies in finance as in the physical world. Huge accumulations of values naturally draw to themselves the lesser masses. Seeing how we have grown in fourteen years from the basis we had in 1902, imagination is baffled by the possibilities for the coming fourteen years from the basis we have now. But it is for us here to keep steadily in our minds that the only real wealth, after all, is the common wealth, that wealth to endure and go on accumulating must be used for the common weal. A superstructure of great fortunes based on a foundation of general poverty and discontent must topple and crumble as surely as a house builded on the sands. We see what we have. We can but vaguely imagine what we will have if we will look carefully to our foundations and be guided by the practical business sense represented in the best ideals. The altruistic conception of our duties to each other is not a vapor or a rainbow vision. It will come out right and show satisfactory results under the keenest analysis and the coldest dissection.

By spontaneous, inward growth, by natural strength, by the inborn restless, tireless enterprise and industry and productive power of our people, we have expanded enormously. Certainly no men in the country have done more to bring these wonderful results than the bankers of the United States. It will interest you to know that our National Banks are now manned by an army

of about seventy-five thousand men, including officers, clerks and other employees, generally able, faithful and efficient, with a payroll of nearly a hundred millions a year, operating on a capital of more than a thousand million dollars contributed by 441,000 stockholders, and having as clients over fourteen million depositors.

Charged, as I happen to be, with the sometimes ungracious and unwelcome task of supervising their conduct of their own affairs and scrutinizing the most intimate details of their business, it is a real pleasure to me to bear witness to the high character, the incalculable usefulness, the conscientious devotion to duty and the breadth of view and purpose of the average American banker. He combines the functions of a driving power and a balance wheel, an accelerator and a brake. Maybe I know as much about him (although I do not wish you to understand from that that I am a Methusaleh) as any man alive; as an American citizen I am pleased to say that I am proud of him. Nine times in ten I take even his most vigorous kicks against my administration as evidence of his self-respect and American spirit of assertion of what he may believe to be his rights.

Please do not construe that statement, gentlemen, as an invitation for additional kicks. I have a plenty, thank you. I am one of those individuals who must find consolation in consciousness of *good intentions*, and in faith that, instead of being

a part of the pavements of Hades, they will be found presently smoothing the thoroughfares of commerce here; and I have the hope that presently it may be said of me, "After all, he performed his duty as he saw it and really did do some good." That is about the best most of us can hope for. As I think I have said before, gold-headed walking sticks of loving cups with inscriptions or engrossed votes of thanks come to comparatively few of us when our duties forbid us to be invariably affable and universally urbane and complaisant. I have found some satisfaction in the statement of General Goethals, who, in reviewing his own experiences, said that he had learned the important lesson that "a man's usefulness in the public service is determined by the abuse and criticism he can take without complaining."

With your permission I will here answer a question which critics of the Federal Reserve System have sometimes asked as to whether our national banks continue to be profitable to their shareholders.

I am gratified to be able to tell you that notwithstanding the lower interest rates which have prevailed since the inauguration of the Federal Reserve System, and despite the fact that Federal Reserve Banks pay no interest on reserve balances, the latest official returns of the national banks indicate that in the aggregate their earnings, both gross and net, are now far greater than at any pre-

vious period in the history of the national banking system.

In 1899 the gross earnings of all national banks were less than 150 million dollars and their net earnings slightly under 50 million dollars. For the calendar year 1916 the indications are that the gross earnings, based upon the actual returns for the first six months, will approximate 600 million dollars, and net earnings over and above all expenses and losses 170 million dollars.

Since 1899 the capital of national banks has increased 75 per cent., while the net earnings on the above basis have increased about 240 per cent. In 1899 national banks earned on their 604 millions aggregate capital stock a fraction over 8 per cent. The current year the figures thus far received indicate that they will earn approximately 16 per cent. on their total capital stock of 1,070 million dollars. In 1899 the national bank surplus was 248 million dollars. Now, the surplus fund of the national banks is 730 million dollars. Undivided profits in 1899, 94 million dollars; now, they amount to 305 million dollars.

My attention was directed recently to newspaper statements to the effect that national banks are week by week surrendering their Federal charters and taking out State charters instead, and that the number of national banks "is decreasing instead of increasing." That statement is squarely contradicted by the facts. From the opening of the Fed-

eral Reserve Banks November 16, 1914, to September 16, 1916, one year and ten months, the Comptroller's office has issued charters to 248 new national banks, with an aggregate capital of \$15,249,500. During the same period 180 National banks increased their capital to the extent of \$20,762,700. The aggregate number of new charters and banks increasing their capital was therefore 428 and the aggregate new capital authorized \$36,012,200. During the same period 133 banks other than those consolidating with other national banks went into liquidation, their aggregate capital being \$11,183,000; 33 banks reduced their capital in the same time to the extent of \$2,710,000, so that the total number of banks liquidating or reducing their capital other than those consolidating with other national banks was 166 with capital reduction of \$13,893,000. In addition to the above, during this same period there were 27 national banks placed in charge of receivers; representing an aggregate capital of \$2,635,000. Of this number, eight with an aggregate capital of \$530,000 have been restored to solvency.

The records thus show that since the opening of the Federal Reserve System, (excluding the banks consolidating with other national banks), the number of new banks chartered plus the number of existing national banks which have increased their capital exceed by 243 the number of national banks which have gone into liquidation or which

have reduced their capital, and the capital of the newly chartered banks plus the increased capital of existing banks exceeds by \$20,014,200 the capital of all national banks which have gone into liquidation or which have reduced their capital. The Comptroller's office has also refused about thirty applications for charters for new national banks during the same period.

When the Federal Reserve Act became a law the friends of that measure confidently predicted that three principal results would follow:

First, that the rates for money would be reduced throughout the country, and that there would be a general equalization of interest rates. That this result has been accomplished is universally admitted. Arguments on this point would, therefore, be useless.

Second, the prediction was made that with the inauguration of a sound, elastic and scientific currency system, business of all kinds would be placed upon a stronger and firmer foundation and that increased business activity would follow. This promise has also been splendidly fulfilled.

A third prediction was that with the institution of this new financial system bank failures would be greatly reduced, if not entirely eliminated, and I now ask your attention to figures which will enable you to determine for yourselves how far this expectation is being realized.

The Federal Reserve Board was organized on August 12, 1914, and the Federal Reserve System began business November the same year. For the twelve months immediately preceding, namely, for the period ending June 30, 1914, nineteen national banks failed with liabilities aggregating \$39,952,000. For the twelve months ending June 30, 1915, including seven and a half months of the operations of the Federal Reserve System, there were sixteen national bank failures with liabilities aggregating \$15,972,000. For the twelve months ending June 30, 1916, the first complete fiscal year under the new system, there were fifteen national bank failures with aggregate liabilities of only \$3,838,000.

This shows that for the first full fiscal year under the operations of the Federal Reserve System the liabilities of the failed national banks amounted to less than one-tenth of the liabilities of the national banks which failed in the year immediately preceding the inauguration of the system, and those banks which failed during the past twelve months were generally small concerns whose failures were traceable directly to criminal acts of management—defalcations, embezzlements, etc., which it is practically impossible entirely to eliminate under any banking system, although under our improved methods of bank examination these are now being reduced to a minimum.

You may also be interested in receiving further facts as to the fifteen banks which failed during the last fiscal year, and whose liabilities, as I have stated, aggregated only \$3,838,000. Two of these banks already have resumed operations; five more already have paid or are expected to pay depositors 100 cents on the dollar, and the remainder are expected to pay from 65 per cent. to 95 per cent. of their liabilities.

It is estimated that the total ultimate losses to depositors from the failure of the fifteen banks which closed during the year ending June 30, 1916, will be less than \$250,000. As the total liabilities of all national banks, exclusive of capital, surplus and undivided profits, during this period amounted to about 12 billion dollars, is it not tremendously reassuring to learn that the proportion of losses to depositors and other creditors of our national banks for the past year has been only two dollars per each one hundred thousand dollars of liabilities? On this basis an insurance company could afford to guarantee the deposits of a bank with a million dollars of deposits for a yearly premium of \$20 and a bank with \$10,000,000 of deposits could secure for its depositors immunity from loss at a cost of about \$200 per annum.

So much for what the Federal Reserve System is already doing for us. As is said of matrimony, it divides our cares and multiplies our joys. Our new banking and currency system has been given to us

fortunately precisely at the time in the world's history when it was most vitally needed and when its power for good not only to us, but to all the nations of the world, could be most widely and most advantageously exercised.

But looking back and looking ahead, I am profoundly and tremendously impressed by the unprecedented and almost inconceivable opportunity now before this United States, this Republic of ours, and especially before the men of your profession—for banking has long since grown from the position of an ignoble trade to that of a noble and honored profession. We have been forced by our own growth out of the trammels and confines of timidity and isolation our forefathers wove about us while we were a feeble folk and wisely afraid. We have been born into the world almost in a moment, full grown—I hope and believe with teeth. We are not only a world power. We are the world power. While nearly every other country has been depleted, we have been augmented. Our credit and resources are inexhaustible. Our population is intact and increasing, our cities are unmarred, our many millions of acres of soil are tilled in peace, our natural resources find profitable and constant outlet.

Our deposits in all the banks throughout the United States at this time are so huge that if there should be withdrawn from these banks an amount of deposits equal to the total resources at

this time of the Bank of England, the Bank of France, the Bank of Spain, the Bank of the Netherlands, the Bank of Norway, the Bank of Sweden, the national Bank of Switzerland, and the Imperial Bank of Japan all combined, the deposits of our banks would still be considerably *greater* than they were three years ago, at the beginning of the present administration.

To follow several distinguished examples and come to the vernacular, gentlemen, it is up to you. No nation in the world's history has had the opportunity this nation of ours will have, at the ending of the European War, for self-building and for raising to their feet a sad procession of exhausted nations.

And in this connection, let me suggest, deferentially, not to say timidly, another thought. In my recent intimacies with the machinery of our Government, in its legislative and executive departments especially, I have been impressed by the advantage and importance of having practical business men in our politics. My study of history and of latter-day conditions has impressed on me that a curious reversal of process sometimes has occurred. While banking, the handling and lending of money, which used to be regarded as one of the most ignoble of trades, sometimes proscribed by law, has risen to the dignity of an honored and tremendously important profession, politics, which in olden times used to be the most important of

all professions, enlisting the labor and thought of the greatest men, has in recent years shown now and then a tendency to descend to the level of ignoble and selfish trade. We need in our offices, and in all our political affairs, more men who will regard office-holding and political work, not as the last hopes of earning precarious livings or winning temporary distinction, but honestly as opportunity for doing real good for the country and their communities. I realize as clearly as any of you how distasteful practical politics is to most business men. I recall the story of a voter—maybe an average American voter—down South, who, when asked to vote for a prominent and useful citizen, replied with scorn and indignation, "Vote for him? Why, he's a rich man! I'd as leave vote for old banker Simpson." Mr. Simpson was the leading banker of the county, probably the ablest and most useful man in it, and had never committed any offense but to be a successful business man and banker, in whose life and methods not a flaw could be found.

My own conscience, I confess to you frankly, is very bad on that point. To my discredit, be it said, I suppose I never in my life attended more than a half dozen ward or precinct meetings. Most of the time I would have found it hard to name off-hand the aldermen or councilmen from my own ward, and often went to the polls with hazy ideas of who was running and of what and who the candidates were. This is all wrong. You know it and

I know it. We business men, especially we bankers, are much given to growling about political conditions, the leadership and management of our respective parties. Frequently our growling is justified by the facts, but usually we have had no right to utter it, because we have shrunk from lifting hand or voice to bring improvement.

Regardless of the political parties to which we may severally belong, we would be ungenerous were we not to acknowledge that our country has been singularly fortunate in having had at the head of its Treasury Department when the world crisis arose two years ago, and when our country was called on to solve, and did solve most successfully, problems of unprecedented perplexity and moment, a man who has proved himself equal to every exigency which has arisen and whose experience, skill and splendid ability have been such tremendous factors in guiding us through menacing perils to stability and prosperity. Problems which loomed so large in years that have passed and which were dealt with by such masterful men as Hamilton, Gallatin, Chase, McCulloch and Sherman seem small compared with those which our country has faced and triumphantly solved under the administration of our courageous, untiring and resourceful Secretary of the Treasury, William Gibbs McAdoo.

I have endless faith in the capacity of the American people, and especially the American business men, to discover and rectify their own errors be-

fore the resulting damage is irreparable. Therefore I cherish the hope that the time will come when more of our Americans who have achieved distinction in other vocations will realize that they owe personal service to the country in which they have prospered and succeeded and will acquire the habit of adopting politics as a career and opportunity, and will give their riper years and the influence they have won to leadership of their fellow citizens, defying the annoyances, the disappointments, the stings, that inevitably accompany such work. It is as well worth while to endure such things for the welfare of people and country, as to endure them, as all of us must, for the piling up of money. As I have said before, on another occasion, political activity within the limits of good citizenship applied to productive endeavor is a solemn duty. Politics as a diversion of earned and safe leisure is a useful amusement. Politics, when a man has achieved success in his personal affairs and contributed his personal part toward the upbuilding of his community and the establishment of his family, offers noble occupation. Politics as a business, a trade, a dependence, a means to mere selfish ambition, for young men, is crowded with dangers, thronged with foes to character and manhood, ambushed at every step. Eminence is a fruit we can afford to pluck only when we ourselves are ripe. For the weak and untried, it is poison, the most ruinous of

intoxicants. It is for strong men, proved strong and toughened by toil and by doing.

It is a strange contradiction that many of us who encourage the younger men to accept the dangers and privations of military service for the sake of flag and country and people, ourselves cower away from the suspicions of the rabble or the worse criticisms of blackguards or opponents.

That is a matter intimately associated with my general theme, but a little aside from it. We should keep in mind our personal duty to our own country. We cannot forget that before we can be of permanent value to the world and hold permanent power in it, we must make ourselves and our own internal affairs clean and strong and inspired by high, clean and plain purpose. Maybe the two tasks will react to each other—that as we appreciate our responsibilities as the world power, we will realize the need for new and better forces applied to our internal political machinery; and that as we purify ourselves, our conceptions will be higher and vision broader and clearer. However that may be, it is certain that just before us, a few months or two or three years, a mighty task is to be done to reorganize and re-establish the nations of the earth.. Let us do whatever the genius, the power, the talent for reorganization and administration of our country can do. We have the right to do it to our own profit. But it is our duty and our opportunity to

let the word "fair" go hand in hand with the word "profit."

Let us have the great American soul go in company with the great American dollar. You bankers can see to that. You can see that the spirit of civilization and man thought, and purpose, shall banish the law of the jungle and the mere animals. We should take no advantage of necessity to extort hard terms, at home or abroad, as did the usurers and money changers before banking advanced from proscribed and furtive trade to honored profession.

Without loss or risk to ourselves, we may win for our Republic a place never before held by any country. It is not only possible, but comparatively easy for us to stand with none jealous of us or afraid of us or suspicious of us, with the gratitude, the affection and the confidence of all the nations concentrated on this nation of free and self-governed people. That would be a transcendently glorious culmination of the fondest and highest dreams of our great founders.

We have the people with the souls in them. We have the dollars beyond our most exaggerated hopes. If we put the soul of the people in the use and application of the dollars, the loftiest and noblest conceptions of the centuries will be fulfilled by us. And, gentlemen, you govern the use of the dollars.

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