

(March 5th, 1906.)

## Banking in Relation to Trade.

HON. JAMES H. ECKELS CHICAGO.

Hon. James H. Eckels, Chicago, President of the Commercial National Bank, and former Comptroller of Currency for the United States, addressed the club as follows:—

My visit to Toronto this time is a source of great pleasure to me, for it enables me to renew my acquaintance with some old friends whose friendship I greatly value. In going about your city this morning I have seen at least one great factor in the upbuilding of Toronto, I think the most important factor essential to the having of good government, correct ideas upon private and public morals and the putting of these ideas into practical effect—I refer to the educational institutions which are confined within the circle of this city. It is not hard to know why Toronto is prospering and why it is known not only within the borders of Canada, but beyond the geographical lines of this great country.

There have been great disasters of a business character, more far-reaching ruin spread, affecting men in high positions and great business undertakings, and affecting labor and all the interests which in turn have to do with it, by the holding of erroneous ideas upon great economic questions, and none more so than those questions which are at the foundation basis of banking, and credit and trade and commerce. It has been the boast of our people that their progress in business and social life and other spheres of undertakings has only been limited by the circle of the globe. Still, with a degree of shame I confess it that despite their activity in business affairs, despite their vital achievements in all that underlies trade and commerce, they have indulged more persistently in erroneous ideas upon great economic questions than almost any people, no matter what may be the form of government or where such people live. For it was in my own country that the curious doctrine was set up that the foundation principle of monetary standard should not rest upon the judgment of men of business affairs, who through their experience in such business and through their study of economic questions arrived at the sane conclusion that commerce should dictate what the monetary standard should be and that it should not be regulated by the "be it enacted" of a statutory body brought together for legislative purposes. We ourselves, against the history of the commercial world, against the decrees of parliament, not of law makers, but of business men can stand alone in the establishment of a monetary standard and a banking system. Through a long period of years, at great expense, at the risk of loss of financial honor, to the impairment of the United States, a large body of its citizens, some with underlying motives of dishonesty, some with the underlying motive of lack of knowledge, undertook to set up the silver standard. But, as John Stuart Mill once said of our people, when discussing the tendency of the American people towards economic heresies, at the critical time the common sense and the common honesty of the American people asserted itself, the wrong thing was put down and the right thing prevailed, and we escaped that which would have been widespread disaster to us and must have had its reflex action upon all the commercial undertakings of the world. (Applause.)

At last we have learned that the decrees of commerce care nothing for the decrees of law, that the monetary standards and business principles and interchange of credit and the establishment of credit must be founded not upon parliamentary enactments, but upon the decrees of men in business affairs. (Applause.)

We have learned, and the whole world is learning it—some have learned it faster than others—that there is no such thing in the world of trade, there is no such thing in the world of credit, there is no such thing in the world of banking as standing alone, establishing credit and banking systems and monetary standards without having regard to

what else lies within the circle of your own country's boundaries. We have learned that most important of all lessons that in the world of business and in the world of credit and in the world of monetary standards there is a solidarity of interests which as time goes on becomes more close instead of further apart, and credit—you cannot confine credit if you would to the immediate circle in which you do your business, because no people can succeed in the world of business that lives unto itself.

I have heard ever since I was a boy the discussion carried on as to whether or no it was not sufficient for the country in which I live to have the business and the consumption of its own people rather than the larger sphere of the world at large. We have builded about ourselves a wall that has kept our people from reaching further out, bringing more people to it, under the specious theory that we ourselves should live unto ourselves. But at last in the outgoing and the ever-increasing products of the energy of our people, with its resources great and natural we have found closer competition, so that where extravagance could be practised we must now look for trade through economies. We have awakened to the fact that this wall with which we have hedged ourselves has made others protect themselves with similar things and we find ourselves working at a disadvantage. I have no fear of the widened circle, whether it applies to the ordinary affairs of trade and commerce and banking or to the particular affairs of manufacturing, because I take it that that people are most extravagant and that people violate all the canons of correct economic principles who insist upon doing a thing for themselves at a greater expense when some one else can do it for them at a lesser expense. (Applause.) And the people who employ their energies in doing the less productive thing as against the thing they could do at less expense and more profit fail to accomplish that which, no matter how glittering may appear the present thing, in the end must only cause ultimate disaster.

There are in all these questions of economics much to be said on both sides, but I venture the assertion that for twenty years at least, in so far as the United States is concerned, its prosperity has been in spite, not because, of these economic laws. (Applause.) I venture the assertion that even in its banking laws, the great errors connected with them would long, ere this, have worked out a still wider disaster than came in 1893 if it had not been for the fact that outside the pale of these laws were men in charge of the banking institutions and the great commercial enterprises who, without the aid of legislative enactments, and in spite of them worked out the plans which lessened the evil of the enacted statutes. And the same thing pertains to the manufacturing of the United States. Whatever success the products of the manufacturers of the United States have gained has been because of the ingenuity and the energy and the indomitable perseverance and will of those

in charge of these great undertakings, coupled with the fact that the country was so rich in its natural resource that extravagance could be practised and still we could succeed in selling a portion of our product abroad as against and in spite of the laws which shut out the product of others from our own people except at extravagant cost.

Beyond this, in our banking system we have done that which to my mind is as erroneous as the hard and fast line which prevents us from adopting that which experience has taught other people and economic history has demonstrated to be correct. In the note-issuing function of the National Banks there is the one single factor in favor of the present system. It is that one essential of safety, a safety so great that in and of itself it is a weakness, because there are no banking institutions in the country which can so little under the law respond to the demand created, can so little localize credit where needed, can so little avail itself of their relief of situations at critical times as the banks under the national system of our country, based entirely upon bonds, the volume of which fluctuates not with the needs of trade and commerce, does not respond to the need here or withdraw when it is not needed there, but has the single end in view that the volume of bank notes shall depend entirely upon the price of Government bonds which are deposited for the purpose of securing that circulation. And those who in our own country defend it upon the single idea of safety add to that their undoubted belief that somehow and in some way banks must be differentiated from other business institutions, and that they are philanthropic or eleemosynary institutions; conducted not for the purpose of profit, but for the single purpose of doing a 'patriotic thing' in keeping up circulation based upon Government bonds. The truth is that when Government bonds bring a higher price in the market as bonds pure and simple, the circulation is reduced and bonds are sold for that purpose with a single idea of profit, and the element of philanthropy is as wanting in that business as in any other business undertaking.

I want to pass just a moment to another question. During all this period of unrest, a part of it the result of unprecedented prosperity, a prosperity that began with you long before it began with us, because during the period from 1893 to 1898 no one here doubted what your monetary standard was, no one had to enquire whether the Government from day to day could supply sufficient gold to meet the demands of the outstanding obligations of the Government, because you never undertook the foolish thing of making your Government the means of supply of gold which ought to come from banking institutions and not from Government; you had your period of prosperity before us and you have continued since, and the evidences of it are not only here, but they are to the east of you, they are to the west of you, they are wherever the active energies and the economies and the upright living of your people are. And it has found fruition in greater manufacturing undertakings,

greater prosperity to the farmers, enlargement of great transportation lines and the evidences that indicate the prosperity of a happy people. But with us, and I take it with you, in all these times of business prosperity have come questions of serious moment and elements which disturb and thoughts which at times make people doubt, no matter what may be the form their Government may take, as to the continued prosperity and the happiness and the loyalty of a people. We have seen it in our own country. We have seen the elemental principles of honesty forgotten in the desire for the acquirement of greater wealth. We have seen elements of discontent bringing the discontented people nostrums which the whole world's history and experience demonstrate to be unfit to cure the disease, and we have seen in a measure at least our people accept them.

To an extent those who have acquired and control great fortunes have been responsible, because while there must never be denial of the right of the individual to acquire all that he can through honest endeavor and uprightness of purpose, that acquirement must not only be within the pale of law, but within the spirit of it. (Applause.) And once acquired, the man of wealth as fell as the man whose daily toil measures his income and his acquirement of riches, must not forget that he cannot live unto himself, but he is his brother's keeper. (Applause.) I have no sympathy with the assaults upon wealth, as I have no sympathy with the denial of the right of labor. But the largest measure of criticism can be avoided by the very simple teaching that each man within the law must be supreme within the sphere of his own undertakings, and that having acquired honestly he must be protected honestly. (Hear, hear.)

The difficulty with the present situation with us is that in this age of great prosperity, in this wonderful acquirement of riches, in this breeding of influences in trade and commerce and in other lines, we have permitted through tolerance with erroneous ideas, through coddling of them for political purposes and for political advantage honest criticism of dishonest methods lose to itself in glamour and in unreasoning hatred, and upon public platforms and in legislative halls and through the columns of the press we find daily taught that which is not intended to breed contentment and prosperity, but for the purpose of breeding discontent and make a man hate instead of love his brother. With us, as I take it with you and every other people, we find ourselves confronted with the specious doctrine that prosperity and wealth and all the things that add to the prosperity of the people ought not to rest in the largest measure upon the abilities and the energies and the economies of the individual, but that they are to spring from enacted statutes, and that every man's business ought to be regulated by statutory enactment. You find the doctrine taught, I take it, taught here as it is taught with us that the individual must be sunk and his individual-

ity lost in the aggregate whole, and that great business undertakings which require experience, which have been built up by the risk of private capital, which had been made to contribute indirectly towards the general public more than directly to the individuals, must now be taken over by the general public and operated by the general public, not through the agency of men whose ingenuity and whose experience and whose risk of capital have built them up, but by an impersonal something which we denominate a Government, whether it be a Government of a whole people or a Government of a State that in the largest measure finds its duties and its obligations circumscribed by the desire for political advantage rather than business success and business acumen. And when either in this country or in ours we have reached the point where the Government departs—whether it be the Government of a municipality or the Government of a State or the Government of a nation—from those simple and well defined functions of maintaining order through police powers and collecting revenue wisely laid and disbursing it economically through well considered appropriations, we have reached a point where those who advocate that thing, are departing from the sphere of Government which is now purely intellectual socialism and stepping out into the broader field of actual socialism; and the prosperity of these people and the prosperity of our own, builded by the experience and wisdom and invested personal capital that has made feasible the great manufacturing undertakings, the great commercial enterprises, the splendid lines of transportation, giving to the people a prosperity which has reached to all classes and in all lines would be lost, and the effect will be that the Government through its political agencies has builded itself up by listening to something which heretofore experience has always demonstrated to be a fallacy, and the prosperity which we now possess will depart only to come back to us at greater cost, and more wide-spread disaster than any country yet has ever seen. (Loud applause.)