

Government by Banker

By HENRY KITTREDGE NORTON

The recent notable triumph of Mr. Owen D. Young and his associates at the conference on reparations, inspired Mr. Norton to consider the change that has come about in the relation of the banker to his community, and the equally radical change in the attitude of the community toward him. Mr. Norton is a well-known Journalist

NOT the least interesting of the many manifestations of the rapidity of the evolutionary process in the post-war world is the amount of ammunition which is wasted in firing at enemies that have ceased to exist. So difficult is it in these kaleidoscopic days to keep track of the enemy who has become a friend and the friend who has become an enemy that much of our shooting goes sadly amiss. Institutions which not so many years ago were looked upon as anti-social and were therefore the object of attack by those who professed to have the interests of society at heart, have so changed in character as to become socially helpful rather than harmful. Yet the old names cling and knightly reformers still ride forth in full armor to do battle with dragons and giants that have ceased to be. We could well use a regiment of Don Quixotes to caricature our chivalric absurdities.

One institution which has undergone some such metamorphosis is the banker. Time was when the banker was a bloodless and heartless money-lender who tortured the last shekel out of his victims to put more in his already bursting coffers. He was the Shylock—the usurer. Even when, with the rise of the merchant classes, the banker gained respectability, he was still the symbol of the money-power. The earlier decades of the industrial revolution emphasized this sinister aspect of his calling. For was he not sign and symbol of the capitalist who ground down the laboring masses to coin their despairing toil into gold for his own vaults?

When industrialism opened the door for democracy it was inevitable that democratic spokesmen should seek to control the money-power. There could be no safer appeal to the masses than contrasting their lot with that of the classes. And the banker belonged body and soul to the classes. The attacks upon Wall Street are well known in our own national history and the great money centers abroad have had to face similar recurring onslaughts.

Democracy has fairly won the battle. Yet the momentum of a century or more is not easily overcome. And for those whose chief stock in trade is warfare

on "special privilege," the bankers must be kept as long as possible among the anti-social classes. Small wonder, then, that there should be a considerable flurry in radical circles over the new rôle of the banker. It is quite to be expected that we should have pointed out to us the menace which lies behind the increasing participation of bankers in national and international affairs. We have been duly appraised of the large number of millionaires in Mr. Hoover's Cabinet. Fears are expressed at the growth of a "super-league of nations" composed of the great international financiers.

Curiously enough those who point with warning finger at these developments fail to specify the actual dangers to which we are exposed. They run off vaguely into generalities about "a new triumph of capitalism" or "a new victory for the money-power." They speak as if in duty bound to warn us, while they themselves lack the conviction that any grave danger impends.

IS IT POSSIBLE that the habitual opponents of banks and bankers, of Wall Street and the money-power have begun to sense a change in the aims of those institutions and in their relations with the public? For surely it is hardly probable that in the midst of the momentous changes of the last three decades, changes almost universally affecting countries, institutions and individuals, the bankers alone should have remained untouched. Is it conceivable that the bankers have cast off their anti-social garments and donned social-mindedness. It is perhaps needless to say that there is no thought here of a religious or ethical conversion. Bankers are as human as the rest of us. But have the economic forces of the world so shifted that the bankers' responsibility has widened from the constituency of a class—or even the "classes"—to a constituency at least as extensive as the national boundaries? Certainly such a

shift is within the post-war possibilities.

One of the new theories that has appealed to advanced—not to say radical—thinkers is that of governmental representation by economic groups. Representation by geographical districts, it is claimed, may

be suited to a country which is practically uniformly agricultural, but it has no relation to the realities of a modern industrial country. Under this territorial arrangement, a Congressman is called upon to perform the supposedly impossible task of adequately representing employers and employees, landlords and tenants, manufacturers and farmers, etc., etc. The improvement proposed is to have representatives elected not by geographical districts but by groups of people having the same economic interests, according to their numbers. This, of course, is the theory of the Soviet system as now practiced in Russia. Despite the difficulties which have developed there, it has its advocates among us.

NOW THE SELECTION of Mr. Morgan and Mr. Young, Mr. Lamont and Mr. Perkins to participate in one of the most important international conferences imaginable presents a curious analogy to this economic representation procedure. It might be called a counterfeit, some might call it a caricature, and yet the resemblance is sufficiently close to be worthy of remark.

These eminent bankers were asked to undertake the difficult task for no reason which could be called "political" in the current sense of that word. They were chosen because the men in charge of the European governments had confidence in them. This confidence was of several kinds. It was a confidence in their ability; but choosing men for their ability is unique in government annals. It was a confidence in their integrity; but this again is not unique. There was also a confidence of special interest here—a confidence that these bankers had the confidence of the people of the United States. In so far as this could be expressed—officially, it was expressed by the prompt agreement of the Government in Washington to their participation in the reparations discussions. But the confidence of the

United States was also expressed unofficially by a long and indirect process.

So long as the banker was a mere money-lender dealing with his own funds, the rest of the world held him at arm's length. He had only occasionally to win confidence to become the custodian of the funds of others when wealth was concentrated in a small group. With the rise of the merchant and industrial classes, the function of the banker began to assume the aspect of a trusteeship. But even then he was trustee for the classes and still remained an object of suspicion to the masses.

IN THE SOCIAL ORDER which prevails today in western Europe, and above all in our American social order, the bounds of the bankers' trusteeship have been widened until they embrace practically the whole population. Industrialists are chiefly interested in the operation of their plants. Merchants are primarily concerned with the profits of their own business. The banker is deeply interested in their welfare, but he does not stop there. The banker is the one man in our present economic organization who is vitally interested in the welfare of all plants, the progress of all businesses and the prosperity of every laboring man. The more business there is for everybody, the more business there is for the banker. American industrialists and American merchants have fairly well learned the lesson that co-operation in business pays. Their enterprises thrive in a world of high wages with its accompaniment of manifold wants and liberal spending. No one is more interested than the banker in intensifying and perpetuating this economic process.

But are not his motives entirely selfish? Is he not simply working for his own good?

Unless we are more interested in abstract ethics than in politics or economics, we may well ask in reply "What of it?" If the banker's success and prosperity depend upon the success and prosperity of every element in the community, why shed idle tears over the thought that his activities in assisting success and prosperity all along the line are not prompted by the motives of the social reformer?

Nor need we worry overmuch lest the banker suddenly turn to using his accumulated resources for his own good and to the detriment of the com-

munity. For the banker must not only become such; he must remain such. His enjoyment of financial power is in a very real sense subject to a control by the community as effective as the political device of the recall of officials by popular vote. In our present economic organization popular confidence is as necessary to the banker as it is to the politician. For how does a banker become such? And how does he remain such? Here is the curious parallel with the system of economic representation.

Go to any small town from Maine to California and the chances are nine out of ten you will find the president of the town bank is a successful local merchant or manufacturer. Look around a bit further and you will find in all probability that he is the one among the local merchants or manufacturers to whom you would be most willing to entrust the care of your funds if you lived in that town. He may not be brilliant but his integrity is generally conceded. If any large proportion of the town's people think otherwise, a second bank will soon appear. The two compete for the confidence of depositors. And depositors are more careful of their deposits than voters are of their votes.

THE TOWN BANKS arrange to deposit their surplus funds in large cities. In making such deposits, the president of the town bank is guided by two principal factors. First is his confidence in the men who run this or that city bank. Second is his desire to avoid banks whose economic associations may be at variance with those of the majority of his townspeople. After these two points, he may give consideration to "service."

The city banks have grown and attained their status under the operation of the same kind of forces that have built the town banks. Although the process is less easily traced in the more complicated life of the city, the city banker must obtain and retain the confidence of as wide a circle as possible. Individual discontent with his methods leads to the transfer of deposits to rival banks. Any general distrust leads to a run which may wreck his institution.

Carry the same process on up through the banking hierarchy and the same kind of forces continue to work on a larger and larger scale. Always there is the same necessity for winning and obtaining confidence, and with each

step upward the demands upon the qualifications of the banker are more exacting. The city banker in general has greater ability, broader experience and, as a consequence, wider views than the town banker. In the same way the bankers of Chicago, St. Louis, San Francisco and the other great mercantile and industrial centers average higher than those of smaller cities. New York makes the most severe demands of all.

THE PARALLEL between this process of selection and that in the political field is obvious. A man who sits in a town council must have won the confidence of a considerable number of his fellow citizens. To go to the State assembly he must make a still wider appeal. Yet more is necessary if he would enter Congress. And only a few of the outstanding citizens acquire the dignity of a Senatorship. The man who would be President can afford few slips. He must win and—if he would be President a second time—must retain the confidence of a substantial majority of the Nation.

The process of selection in the banking world, however, involves a closer association with the economic forces of the country than does the present political process. There are farmers' banks and merchants' banks, miners' banks and shipping banks, steel banks and oil banks, and we of late have people's banks and labor banks. None of these, perhaps, is identified solely with the interest suggested in its title. Yet many of them depend primarily for their success upon the support of certain lines of economic activity. As such they effectively represent those lines in the general process of constant economic readjustment.

The larger the banks, the wider their area of operation, the greater the number of interests involved, the greater the demand for care in avoiding antagonism between them. The head of a great New York banking house has responsibilities not at all unlike those resting upon the chief of a state. Various and even conflicting interests look to him for guidance and support. A chief or a magistrate, under such circumstances, may choose to side with the stronger forces and depend upon them for his continuance in office regardless of the weaker group. The bank president would naturally make the same choice in the last resort. But not until he had exhausted every possible means

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▶▶ The Trend of Events ◀◀

▶▶ Images in the Mirror

WITH SOME Minnesotans, after the Virkula slaying, discussing the advisability of going armed in self-protection and others asking the President to stop the "arrogant lawlessness" of enforcement officers; with the public indignantly demanding to know what dry agents have been doing with riot guns, it becomes a question whether the current platitudes should not be reversed to read, "One of the worst ways to repeal a bad law is to enforce it."

Riding in an automobile with his wife and two children, Henry Virkula, a merchant of Big Falls, Minnesota, was killed when his car was riddled by slugs from a dry agent's sawed-off shotgun. This tragedy has produced demands in Congress that shootings by Government agents be thoroughly investigated. It has also brought a statement from Assistant Secretary of the Treasury Lowman that agents have been warned against using firearms except in self-defense or to prevent the taking of a life. He also states that he is preparing an order forbidding border patrolmen from using riot guns and sawed-off shot-guns. But in the Minnesota case, through Mr. Lowman, the Gov-

ernment, as usual, stands up for its gunner and favors taking the trial out of local courts. Quick shooting dry agents, tried in Federal courts, customarily win acquittals, which are not always merited. The case in Kentucky, where two agents, convicted in a Federal court of killing a moonshiner during a raid, have been refused a retrial, is exceptional.

Exceptional, also, is the recent shooting in Michigan, where the dry agent's victim appears actually to have been a rum-runner, and to have given the agent a plausible reason for firing. Aside from the snuffing out of this one bootlegger, however, no permanent progress has yet been made in the task of drying up the Detroit River. While bootlegging speed boats are being abandoned as a result of the Government's dry drive at Detroit, bootlegging tugs designed to navigate Lakes Erie and Huron are all the rage. Concentrating their forces along the border, the Federal agents have also concentrated the forces of the bootleggers, who, it is reported, have combined and worked out an intelligence system to determine the border points least carefully guarded.

General Superintendent McBride of the Anti-Saloon League laments the

power of the press to overemphasize unfavorable developments in prohibition enforcement. Generally speaking, however, the press merely holds an accurate mirror up to prohibition. Images lately appearing therein indicate that bone-dry brows need furrow less over the distorting power of the press than over its reflecting power.

▶▶ More Images

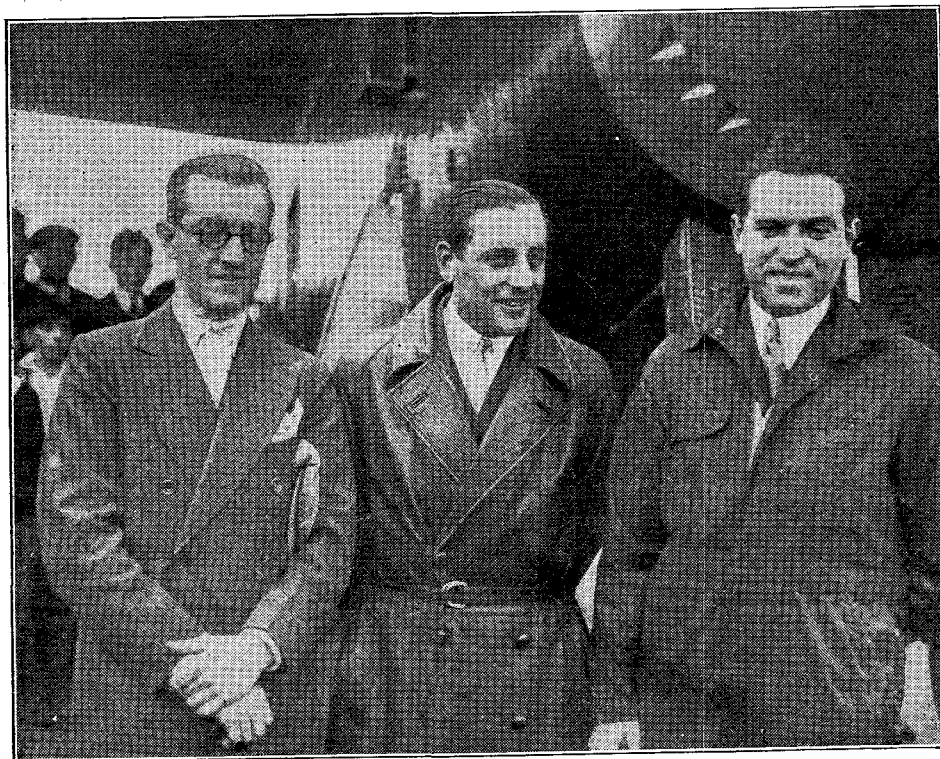
ACROSS THE MIRROR pass wryly comic, as well as tragic, reflections on Jones-Volsteadism. There is the story, for instance, of ten enterprising Easterners convicted of redistilling a chemical tree spray for beverage purposes. Humorists have found a barrel of capital, also, in the productive dry raids at Ripon, Wisconsin, during the celebration of the seventy-fifth birthday of the Republican party, officially dry in the last election. The celebrants themselves were indignant. A resolution sponsored by a member of the State Legislature formally requests the Government to refrain from enforcing the Eighteenth Amendment in Wisconsin.

A reflection which should not be overlooked is the growing strength of the Women's Organization for National Prohibition Reform, which has lately added the names of many prominent New York women to its roll. Another which merits inspection from all angles is the series of penetrating questions put by Representative Tinkham to Dr. Wilson, Secretary of the Methodist Board of Prohibition. Representative Tinkham seeks to establish that the Board is a lobbying organization and that the Methodist Church is interfering in politics.

▶▶ Practical Flying

THE PRACTICABILITY of air travel is increasingly apparent. So, too, are the limitations of air travel.

Americans seem to have little doubt or timidity regarding air-rail service. Bearing a vacuum bottle of Atlantic Ocean water to be mingled—symbolism, you know—with the waters of the Pacific, Mrs. Willebrandt has officially opened the sixty-hour route between New York and Los Angeles jointly operated by the Universal Aviation Corporation and two railroads. More



Wide World

THESE THREE

Lotti, Assolant, and Lefevre, who have added their names to the list of transatlantic fliers