

GUARANTY OF BANK DEPOSITS

Bryan Discusses Plan at Length And Asks Why Depositors Should Be Left Unsecured.

ANSWERS TAFT'S CRITICISM.

Accuses Him of Favoring Unnecessary Extension of Sphere of Government Through Postal Savings Banks.

Topeka, Kan., Aug. 27.—Before an audience which filled the auditorium to overflowing, W. J. Bryan, Democratic candidate for president, tonight spoke on the subject of guaranty of bank deposits. Previously he had delivered three other addresses, two from the veranda of the hotel and the third at Garfield park, where he attended a picnic by the Knights of Pythias, his latter theme being "Practicality."

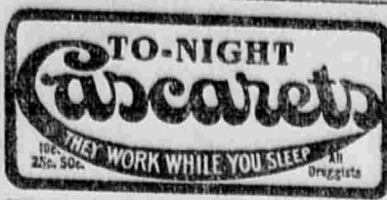
The Democratic candidate and his party arrived here at 1 o'clock and were at once taken in hand by a reception committee composed of leading Democrats of the city and state, and conducted to the hotel in automobiles. A great crowd greeted Mr. Bryan at the station and at the hotel.

ANSWERS TAFT'S OBJECTIONS.

As announced by him before his departure from Kansas City, Mr. Bryan, in view of the action of the Kansas Republican state convention, which endorsed the guaranty of deposits proposition, made some remarks supplementary to his prepared speech on that subject. He took up the advantages of the guaranty system and then answered the objections made to it by Mr. Taft and others. He began by asking why the depositor should be left unsecured when the national government demanded security of any bank with which it deposited money. He pointed out that the choice was between the postal savings bank and the guaranty bank, and accused Mr. Taft of favoring an unnecessary extension of the sphere of government in advocating the postal savings bank instead of the guaranty bank. Mr. Bryan declared that he preferred the guaranty bank proposition, which would allow the banks to attend to the banking business, and yet compel them to give their depositors necessary security. Upon the conclusion of the prepared speech Mr. Bryan said:

OKLAHOMA LAW A SUCCESS.

"I asked Mr. Briedenthal, a banker of Kansas City, to make inquiry among the bankers of Kansas and ascertain what proportion of them favored the guaranty law. I learned that of the bankers that had expressed themselves on this subject, about three-fourths of them favored a guaranty law and one-fourth opposed it. This is an excellent



showing. Among the depositors there is no opposition to it and it is evident that the Kansas bankers recognize, first, that something must be done, and second, that the guaranty bank is better than the postal savings bank. I also inquired of Gov. Haskell in regard to the number of national banks which have surrendered their charters and become state banks in order to have the benefits of the guaranty system. I have a telegram from him saying that four national banks have already made the change and are operating under the state bank laws and that 16 other national banks have applied for state charters. This is conclusive proof that the Oklahoma law is a success. A national charter is supposed to have some advantages over a state charter, and the benefits of the guaranty law must be admitted when the national bank will in a short time change from the national system to the state system in order to give their depositors the advantage furnished by the guaranty system.

"Since the preparation of my speech on this subject, the Republicans of Kansas have held a convention and adopted a state platform. The plank on the guaranty of deposits is a recognition of the necessity for security, but the plank is so worded as to be practically useless so far as the protection of the depositors is concerned. The Republicans propose to 'mutually and voluntarily guarantee deposits.' But that is not enough. Suppose that the banks mutually agree to do it. Must the depositors be left unsecured?

KANSAS REPUBLICANS.

"The Kansas Republican platform also requires that the Republican candidates for Congress and the United States senate favor a law enabling national banks to participate in the proposed mutual and voluntary system. But what chance is there of securing such a law when the Republican national convention refuses to pay any attention to the subject and when the Republican candidate opposes the whole principle of the guaranty?"

"Mr. Taft's denunciation of the guaranty system is so sweeping that no disinterested person can for a moment believe that he will either encourage or permit a law enabling national banks to participate in state systems. What the people need is a state system whereby both state and national banks will be compelled to guarantee deposits, and only a Democratic victory can secure this reform. With a Democratic president and a Democratic Congress it will be easy to secure the adoption of a system which will make both state and national banks secure."

ENDORSE DEMOCRATIC PLATFORM.

"And, speaking of platforms, I am glad to call attention to the fact that the Republican platform adopted in Kansas endorses the Democratic national platform on two important questions. First, it favors the election of senators by direct vote of the people, a reform which the Republican national convention rejected by a vote of 7 to 1, and which Mr. Taft has never

advocated but once, and that only in a half-hearted way. In his notification speech he said that, personally, he was inclined to favor such a law, but it requires more than a mere inclination toward the law to secure a reform."

"Another plank endorsing the Democratic platform is to be found in the condemnation of the present rules of the house and in the demand for a modification of the rules. This is the position taken by the Democratic national convention and it is gratifying to know that the Republicans of Kansas have supported us in the position taken. But what shall we say of the Republican platform plank endorsing the Democratic candidate, Sherman? While Mr. Sherman's name is not mentioned, he is so prominently connected with the present rules of the house that the endorsement of the plank cannot be construed otherwise than as a denunciation of him."

A MIXED ENDORSEMENT.

"Here we have the Republicans of Kansas heartily endorsing the nomination of Taft and Sherman—even commending the speech of acceptance of Mr. Taft—when the convention proceeds to condemn Mr. Taft's position on the guaranty of deposits and Mr. Sherman's position on the subject of reform. There is no doubt that there is a strong reform sentiment among the Republicans of Kansas, and the best way that they can give expression to it is to vote for the Democratic candidates and thus secure a national administration in harmony with their reform ideas, and then elect a Democratic state ticket which stands for reform, a Democratic legislature which will not only stand for the guaranty law, but elect Mr. Farrell to vote for reform in the United States senate, and then the Republicans of Kansas ought to complete their work by electing Democratic members of Congress to this reform. The rules of the house and help to carry out the reform pledges in the Democratic platform."

MR. BRYAN'S SPEECH.

Mr. Chairman, Ladies and Gentlemen—Why not make the depositor secure? The United States government requires the deposit of specific security when it intrusts money to a national bank, although it can examine the bank at any time; the state requires security when it deposits money in a bank; the county requires security; even the city requires security; even the banks require security. Why should the depositor be left to take his chances?

Not only is the depositor without protection, but the security given to nation, state, county and city lessens his security. They are preferred creditors; they have a mortgage on the gilt-edged assets and the depositor must get along as best he can with what remains. Why are the interests of depositors thus neglected?

THEORY OF DEPOSITS.

A bank asks deposits on the theory that the depositor is sure of the return of his money, and the laws ought to make the facts conform to the theory. The depositor, the community and the banker himself will be benefited by legislation which will give to every depositor the assurance that the money he has deposited is safe. The money of the bank will be available to meet his needs at any time. Such is not the case today, for while all banks are reasonably secure, they are not absolutely so. This

statement can be verified in several ways.

First—The president has advocated a postal savings bank, and his postmaster-general, in presenting an argument in its favor, pointed out that many millions are sent to European savings banks every year by Americans for foreign birth who prefer to trust the state institutions of the nations beyond the sea, rather than the private banking institutions here.

Second—it is known that a considerable amount of money is in hiding, the amount increasing with the approach of a panic or business depression. This money is not only withdrawn from active use, but it is likely to be withdrawn just at the time when money is most needed and when the withdrawal will increase the financial disturbance. It is impossible to reason with fear; it is futile to tell men that they will probably get their money. The moment the depositors suspect a bank, they hasten to destroy its solvency. Distrust, and distrust alone, can explain the hiding of money.

PEOPLE SEEKING SECURITY.

Third—The increase in the issue of money orders, payable to the order of the purchaser, is another evidence that people are seeking greater security for their money. The banks will pay an interest upon deposits, and yet those who buy money orders prefer to lose the interest, and, in addition to that, pay the price of the money order in order to secure the government's guaranty.

Fourth—National banks confess that their banks are not secure when they oppose the guaranty of state banks on the ground that it would lessen the deposits in national banks, and the state bankers confess that their banks are not secure when they oppose a national guaranty system on the ground that it will draw deposits away from state banks. If you want to find whether banks are absolutely secure, ask the directors to give you the personal note to secure your deposit and you will learn that they will not bear the risk which they ask you to bear.

OKLAHOMA'S EXPERIENCE.

Fifth—The experience of Oklahoma furnishes conclusive proof that depositors do not feel that their money is safe in unsecured banks. On the 17th of December, 1907, the Oklahoma legislature enacted a depositor's guaranty law, which became operative Feb. 4, 1908. By the provisions of this law, all state banks and as many national banks as desired to secure themselves of the law, are taxed 1 percent on their deposits, and the money thus collected is put into a guaranty fund. Between December 17, 1907, and the 14th of last May, leaving but 255 unsecured banks (all national) in the state. Statements are made by the banks in December and May. Between these periods the secured banks gained in deposits \$4,237,765.22, while the unsecured banks, all national, showed a decrease in deposits of \$1,191,807.86. A large part of this increase was money brought from hiding or from without the state, but the decrease in the unsecured banks can only be explained in one way. A large number of depositors withdrew their money from the unsecured banks, and deposited it in the secured banks, and this, too, in spite of the fact that in order to prevent withdrawals, the secured banks, in some instances, offered a higher rate of interest than the unsecured banks were permitted to pay; and it must be remembered also that the banks which suffered a loss of deposits were all national banks. And to make it certain that the difference was caused by the guaranty law, the secured national banks who gained in deposits during the period, while the unsecured banks of Oklahoma, they were failing in the state banks and trust companies of Kansas—the decrease being \$1,159,026.27 between March 31 and June 13.

No amount of criticism of the timid depositor can change the facts, the people who deposit money want more security than the laws at present give them. They will change banks to get more security, and, if necessary, they will send their money to another state.

DEPOSITORS' EYES OPENED.

For many years efforts have been made in Congress and in the various states to secure a law guaranteeing deposits, but the influence of the great banking institutions has been sufficient to prevent action. Last fall, however, when the banks by a concerted action suspended payments on checks, the depositors were everywhere brought to the realization of the fact that their deposits are in fact loans, payable on demand under ordinary circumstances, but payable at the will of the bank in emergencies. The depositors suffered a considerable loss during the suspension of payments, and they have not forgotten the lesson which they learned. The Democratic party, being more free than the Republican party to respond to the needs of the masses of the people, inserted the following plank in its national platform: "We pledge ourselves to legislation by which the national banks shall be required to establish a guaranty fund for the prompt payment of the depositors of any insolvent national bank under an equitable system which shall be available to all state banking institutions wishing to use it."

This principle has been applied in Oklahoma, and the results have been very satisfactory. The average annual loss to depositors in national banks during the last 40 years has been less than one-tenth of 1 percent of the deposits, and the loss to the fund in Oklahoma under better regulations and restrictions has been absolutely nothing during the six months in which the law has been in operation. The Republican platform is silent on the subject, and the Republican candidate not only does not advocate a compulsory system, but specifically and emphatically opposes it. He says:

"The Democratic platform recommends a tax upon national banks and upon such state banks as may come in, in the nature of a guarantee insurance to raise a guaranty fund to pay the depositors of any bank which fails." And then he questions the right of the government to enact such a law, saying: "How state banks can be included in such a scheme under the Constitution is left in the twilight zone of state rights and federalism so frequently dimming the meaning and purpose of the promises of the platform. If they come in under such a system, they must necessarily be brought within the closest national control, and they must really cease to be state banks and become national banks."

TAFT INDIFFERENT TO STATE RIGHTS.

His solicitude for the state bank will hardly impress the country, for he is quite indifferent to states and their reserved rights when he deals with other subjects. When Congress is in the control of those who want to legislate for the whole people rather than for the few, it will not be difficult to frame a law under which state banks can avail themselves of the advantages of a federal law guaranteeing the deposits of national banks, just as it was easy in Oklahoma to frame a law which permitted national banks to take advantage of the state guaranty system. It also is easy to enact a federal law which will permit national banks to avail themselves of state guaranty systems.

(Continued on page eight.)

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