

## BRYAN ANSWERS EVERY POINT RAISED IN CONNECTION WITH THE GUARANTY SYSTEM OF BANKING

TOPEKA, Kas., August 28.—William J. Bryan addressed a large crowd last evening in this city. He spoke regarding the guaranty of bank deposits. He said in part:

Mr. Chairman, Ladies and Gentlemen:

Why not make the depositor secure? The United States government requires the deposit of specific security when it entrusts 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; even the county requires security and the city requires security; even the banks require security from the officials who handle money. 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?

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 that which is committed to the keeping 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.

### Experience of Oklahoma.

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 depositors' guaranty law, which became operative February 4th, 1908. By the provisions of this law, all state banks, and as many national banks as desire to avail themselves of the law, are taxed one per cent on their deposits, and the money thus collected is put into a guaranty fund. The banking board is authorized to make additional assessments from time to time to keep the fund up to this amount, and is directed to take possession of any insolvent bank, pay the depositors in full, and reimburse the fund by collecting the assets of the failed bank. Five hundred and fifty-five banks, including 54 national banks, had come under the provisions of this law on the 14th of last May, leaving but 225 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 \$1,101,807.86. A large part of this increase represented 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 unsecured banks, in some instances, offered a higher rate of interest than the secured 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 gained, while the unsecured banks lost. While the deposits were increasing in the guaranteed banks of Oklahoma, they were falling in the state banks and trust companies of Kansas—the decrease being \$1,153,920.27 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.

### Efforts in the Past.

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 a 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 then 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 one per cent 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.

### Taft's Opposition.

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.

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 will also be easy to enact a federal law which will permit national banks to avail themselves of state guaranty systems until a national system can be secured. Attorney General Bonaparte's ruling, whether it correctly interprets the law or not, would not bring such consternation as it does if the republican candidate favored a law allowing national banks to take advantage of state systems for the protection of depositors, but Mr. Taft's hostility to all guaranty systems is shown in the objection which he offers:

"The proposition is to tax the honest and prudent banker to make up for the dishonesty and imprudence of others. No one can foresee the burden which under this system would be imposed upon the sound and conservative bankers of the country by this obligation to make good the losses caused by the reckless, speculative and dishonest men who would be enabled to secure deposits under such a system on the faith of the proposed insurance; as in its present shape the proposal would remove all safeguards against recklessness in banking, and the chief, and in the end, probably the only, benefit would accrue to the speculator who would be delighted to enter the banking business when it was certain that he could enjoy any profit that would accrue, while the risk would have to be assumed by his honest and hard-working fellow."

He even pictures dire disaster and declares that "if the proposed law were adopted exactly as the democratic platform suggests, it would bring the whole banking system of the country down in ruin."

### Answers Republican Candidate.

Mr. Taft complains that "no one can foresee the burden which under this system would be imposed upon the sound and conservative bankers of the country by this obligation to make good the losses caused by the reckless, speculative and dishonest men," etc. We have the past to guide us, and we have reason to believe that the loss will be less in the future than in the past, because when banks become mutually responsible for each other's deposits they will be sufficiently interested in each other to favor better regulations and greater restrictions.

What has Mr. Taft done to protect depositors from recklessness and speculation? While he refuses to protect depositors, he praises the Aldrich-Vreeland law, which invites speculation and stock jobbing. In declaring that the system proposed by the democrats "would remove all safeguards against recklessness in banking," Mr. Taft betrays an ignorance of the subject, for the plan does not propose the removal of any safeguards. In fact, it contemplates stricter regulations of the banks and Oklahoma has already made the banking regulations stricter.

The chief cause of bank failures is the making of excessive loans to directors or officials of the bank. This is the fruitful cause of disaster and it has been impossible to secure legislation protecting banks from their own officials and directors. Why? Because there has been no mutual responsibility. When all banks become liable for the deposits of each, the stockholders will insist upon the enactment of a law making it a criminal offense for a bank official to loan more than the prescribed amount to one individual. At present we have a law prohibiting the loaning of more than one-tenth of the capital and surplus to one person or corporation, but the law is only directory. Of course, the comptroller can suspend a bank if it violates the law, but the law is not enforced, because the enforcement of such a law would throw the punishment upon innocent stockholders and upon the community, since the suspension of a bank inflicts a great loss upon stockholders and disturbs the business of the city or town in which the bank is located.

### What Is Gained.

But as a matter of fact, the banks will, as a rule, gain more from the law than they will lose by the tax imposed by the law. The experience of the Oklahoma banks shows this. The interest collected upon the increased deposits will far more than pay the losses occasioned by insolvency. But two banks have failed and the assets have in both cases been sufficient to reimburse the fund.

The republican party proposes the establishment of a postal savings bank system; the democratic party prefers the guaranteed bank because it is better for the depositor and better for the banker—it gives the depositor the security which he needs and yet leaves the banking business in the hands of the banks. But the democratic platform

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