

posit and carry on business as a private banker without any regulation or restriction as to the manner of conducting the business, you might have claimed credit for such reputation and standing as you might have been able to acquire. But you did not do that. You associated yourself with a bank whose prestige and reputation depend more upon the law and upon the presumption given by the people to the law, than upon superior care or management.

When the laws were made, the law makers thought they had provided for the security of depositors, and it is not only unfair in you to count as entirely personal to yourself or your directors, the confidence shown by the public in your bank, but it is selfish to insist that the people have no right to obtain further security, even if, as a result of that, your bank loses some of the advantages which it now has over smaller banks. The bank exists for the benefit of the people. It is a mistake to assume that the people exist for the benefit of the bank. The laws regulating banking are made for the depositors rather than for the stockholders, because the stockholders are able to protect themselves, while the depositors are helpless.

The law requires that a certain percentage of the deposits shall be kept as a reserve—why? For the benefit of depositors. The law provides that not more than ten per cent of the capital and surplus shall be loaned to one person—why? For the protection of depositors. Every law passed for the protection of depositors tends to equalize the banks, and you can make just as sound an argument in favor of the repeal of all restrictions as you can make against the guarantee of deposits. The fundamental difficulty is that you look at the question from the standpoint of the banker and not from the standpoint of the depositor, and you insist that the depositor shall be left unsecured in order that your bank may have an advantage over smaller banks.

What security do you give your depositors that other banks do not give their depositors? Is it that the officers of your bank are better men? They may die, and inferior men take their places. Is it because your directors are better than other directors? The board of directors may change. Is it because your stockholders are better than others? Your stock is sold on the market and a change may take place any day in the ownership of the stock, that will entirely change the character of the bank; and if such change takes place, who will know it? Will not the new directors and the new officers claim to be conservative? When a bank fails, the public finds out for the first time what has been going on behind the counter.

All banks are "conservatively" managed until they fail, and then they take their place among "recklessly" managed banks. As a matter of fact nearly all banks are managed well enough to protect depositors from loss but the trouble is that the depositors have no way of knowing with certainty which are good and which are bad. If the depositors could know just what banks are safe, and what unsafe, they might not need the protection of the law, but they do not know this until too late.

In the recent stringency, the banks all over the country felt themselves justified in suspending payment upon checks, and for the first time in our history the depositor was told how much of his own money he would be allowed to draw out for the carrying on of his business. Why was this extraordinary step necessary? Because the banks throughout the country had deposited a part of their reserves in New York and other reserve cities, and could not withdraw them. Each bank feared a run if it permitted the withdrawal of deposits, and why would depositors want to withdraw? Because they were afraid of losing their deposits, if they did not withdraw. You will remember that the big banks were not any better than the little ones in that crisis, and as a result of the stringency that followed, immense loss was suffered by men who had deposited money in the banks with the firm belief that they could withdraw the money at will.

I answer your first argument, therefore, by saying, that you overestimate the personal element in the prestige that you enjoy and underestimate the advantage that you derive from the law; and, second, that our laws should be made for the benefit of all the people and not for the benefit of a few of the people. The number of those who deposit in the banks is larger than the number of stockholders, and you must not forget that widows and orphans are depositors in banks as well as purchasers of bank stock. While I can admire the interest which you feel in the widows and orphans who are stockholders, I must remind you that the widows and

orphans who deposit money in banks are also entitled to consideration. It is supremely selfish in you to forget the interests of the larger number of depositors who make banking profitable. Banking would not be very advantageous if you only loaned the money of the stockholders. The real profit of banking comes from the loan of depositors' money and it is a little heartless in you to look at the question entirely from the standpoint of those who get the benefit of the deposits. The law considers the welfare of those who make the deposits and it is unfortunate that those in charge of the banks do not always take a view of the situation broad enough to include the interests of depositors.

Your second argument is, that the guarantee of deposits would lead to reckless banking and that the business communities would protest against the guarantee system on the ground that it would make all banks insecure and drive the better class of people out of the banking business.

That, of course, is a prophecy, and a prophecy is more difficult to answer than an argument based upon history. Insofar as experience teaches anything, it teaches just the contrary. A guarantee law has been passed in Oklahoma, and the result is that the bankers of southern Kansas have joined with the depositors in asking for a special session of the legislature in Kansas to consider a guarantee system, and they have done so, because they fear that deposits will be withdrawn from Kansas and carried into Oklahoma. In my home city, a vote was taken in the Commercial club, which is composed of business and professional men, and the vote stood about ten to one in favor of the guaranteed bank. And since you refer to the silver question, I beg to inform you that the men who voted ten to one in favor of the guaranteed bank, voted about three to one against the restoration of bimetalism. Instead of driving men out of the banking business, the Oklahoma law has led a number of national bankers to take steps toward changing their banks into state banks in order to take advantage of the state law, in case national banks are not allowed to enter the system. If national banks are not permitted to avail themselves of state guarantee systems, the state banks are likely to gain an advantage over the national banks, and the national bankers understand this.

When I tried to secure the passage of a bill in Nebraska, providing a guarantee fund for state banks, it was opposed by the national banks on the ground that people would remove their deposits from the national banks to the state banks, if the state banks were made absolutely secure; and it is to avoid injustice to either class of banks, that I have urged that national banks should be permitted to take advantage of guarantee systems established in the states and that state banks should be permitted to take advantage of any guarantee system established by congress.

The guarantee of deposits will not produce recklessness in management. You are selected by the stockholders, not by the depositors. You will endeavor to manage your bank in the interest of the stockholders, and your argument shows that you consider their interests as paramount. Under a guaranteed system of banks, you would still be responsible to your stockholders. They would lose all that they have and be subjected to the 100 per cent liability in addition, before other banks could lose anything on account of your bank's failure. Would this not be sufficient to make you careful? And if your regard for your stockholders would make you careful, why would not other bank officials be made careful by their regard for their stockholders? The guarantee of deposits does not relieve the stockholders of responsibility—neither does it relieve the director or the officer of care. The guarantee of deposits simply means that the depositors who have no choice in the selection of officers shall not be held responsible because of mismanagement by officers.

Do you think we could improve the character of our bankers by repealing all laws providing for regulation and inspection? If not, why do you think it would lower the character of bank officials to increase the security of depositors?

Your indictment against banking is more severe than I have ever brought—more severe than is brought by depositors generally. You are not willing to trust other banks to the extent of helping to pay their depositors, although it could be but a small tax upon your bank, and yet you expect depositors to trust the banks, even though the depositors may lose all that they put into the banks. If bankers will not

trust each other, they ought not be surprised at some timidity among depositors.

The fact is, that the country is suffering today from lack of confidence in banks more than from any other cause. The money can not be drawn from hiding and hoarding unless the depositors are assured of the safety of the banks. The amount of the tax on each bank would be little compared with the benefit which it would receive from its share of the increased deposits, and as for making banks unsafe, the guarantee system will insure safer banking.

Nearly every bank failure is due to the appropriation of the money by the directors or officers. In discussing this question in New York recently, I put the question to ex-Secretary Gage and to Mr. Baker, the president of the National Bank of New York, and they admitted in the presence of a company of some eight hundred that almost all bank failures are traceable to the misconduct of directors. They also admitted that the law ought to make it a criminal offense for a bank official to loan more than one-tenth of the capital or surplus to one person.

Why have we not been able to secure better regulation of banks? The answer is simple. The bad banks don't want any regulation and the good banks prefer to make a business advantage out of the recklessness of other banks. When banks become mutually responsible for each other's depositors, it will be easier to secure the proper regulation of the banks.

The financiers of the country have had their way for a generation, and they have not used their influence to protect depositors. They have failed so completely that the postmaster general has recommended the postal savings bank for the security of savings. Millions of dollars are sent out of this country every year to be deposited in the government banks of Europe because of distrust of our banks, and the guaranteed bank is being advocated as a means of protecting depositors.

Those who preside over the big banks have not been as interested as they ought to have been in the general public. They have been satisfied to raise their own bank stock to a premium, by pointing out the insecurity of deposits in smaller banks, and they object to having this advantage removed. The big bank has two advantages over the small bank even when the depositors are made secure. In the first place, a big bank can loan more to one person than a small bank can and is thus able to draw the business of the larger merchant. This is an advantage that the big bank will still have. A bank with a capital of a million and a surplus of a million can loan two hundred thousand dollars to one individual, while a bank with a capital of a hundred thousand and a surplus of a hundred thousand, can only loan twenty thousand dollars to one person.

There is also a prestige in the big bank that business men understand. There is a certain vanity to which the big bank appeals. The depositor has the advantage of business acquaintance and business connection with the big bank. He can refer to it when his business standing is asked, and this advantage the big bank will still have. Why should it ask for an advantage based upon the insecurity of all depositors and the insecurity of all communities? Why not "make all banks equally good" so far as the depositor is concerned? Why not protect all widows and all orphans from danger of loss to their deposits? Why not protect all business men from the danger of having payment on their checks suspended? Why not protect all communities from the embarrassment that follows a bank failure? Why not protect banks from runs and withdrawals based upon timidity and fear? Why not make banks so secure that people will deposit all their money in the banks instead of putting some of it away under carpets? The amount of money that will be drawn from hoarding and hiding by the guarantee of bank deposits will give us a larger circulation than can be secured through frantic calls upon the government for its surplus funds. When the banks were in distress, they did not hesitate to call upon the government for the use of the people's money and that money was loaned to them without interest to the extent of nearly two hundred and fifty million dollars. This money was raised by taxation upon all the people and while the people's money was being loaned to the banks to tide them over a stringency, the people themselves were afraid to deposit their money in the banks and many of them were withdrawing their money from the banks.

It all depends upon the point of view. If legislation is to have for its object the welfare