

leaned forward and extended his arm into his fighting position.

"Will anyone tell me that the law was enforced in New York during the panic?" he cried.

He waited. There was no answer. Mr. Forgan said nothing.

"I will stake my reputation," cried Mr. Bryan, more vehemently than ever and speaking slowly, "that the law was not enforced in New York during the panic."

Another pause. The room was entirely quiet. Bankers looked at Mr. Forgan. Mr. Forgan looked at the pink carnation before him. Mr. Bryan regarded the chandelier.

"And I will say further," resumed Mr. Bryan, smilingly, "that if the law had been enforced in New York during the panic, the panic would have been a great deal worse."

Everybody laughed at that, including Mr. Forgan, and the atmosphere became clear again.

Mr. Bryan then proceeded to unfold his theory that the criminal law should be applied to bankers who infringe the ten per cent provision.

"In my most emphatic belief," he said, "it should be made a criminal offense for a bank official to loan more than ten per cent of the capital and surplus to one person. The criminal law should be applied to such a person. Don't you agree with me?"

Another pause. One banker cried "Yes." Two cried "No." Mr. Bryan went ahead again.

"Well," he said, "whether you agree with me or not, let me tell you that 15,000,000 depositors are ready to apply the criminal law to the man who jeopardizes the community by ignoring the safeguards which have been placed around it by law. Is it harsh to suggest application of the criminal law?"

#### THE BANKING BUSINESS

On the evening of May 22nd, Mr. Bryan addressed the bankers of Chicago at a banquet given at the Auditorium Annex. Hon. Chas. G. Dawes, former comptroller of the treasury, presided and in the course of his speech emphasized the importance of the banking business, calling attention to the fact that there are some twenty thousand banks in the country and about fifteen million depositors. Mr. Bryan took for his subject, "The Banking Business," and in the absence of a stenographic report prepared the following abstract of his remarks:

has the honor to acknowledge the invitation extended by the authority he can assure you, and am glad to present what I think I may fairly say of the views of a considerable portion of the American people upon the subject. It is well that such meetings are held, for by the exchange of opinion we arrive at what is best. A great deal of the will of opinion to be found among us the people is a misunderstanding of each other and boss as the connection. If representatives of the various sections of the country could attend your meetings and representatives of the banking fraternity address meetings in different parts of the country, it would be easier to find common ground upon which to stand. I can assure you in the outset that those for whom I speak do not approach the subject in a hostile spirit or with unfriendliness to bankers. The banking business is not only an important business, but very necessary to the community. The fact that fifteen millions of people deposit in the banks is sufficient proof that the entire country is deeply interested in all that concerns the bank and the bank's management. The great trouble is that the subject is too often considered merely from the bankers' standpoint without sufficient regard to the opinions and the rights of the depositors. In fact I had thought of taking as my subject, "The Banker's Friend," but the present subject was announced before my letter reached the toastmaster. Had I been announced to speak upon "The Banker's Friend," I would have commenced with the assertion that the depositor is the best friend that the banker has, and my second proposition would have been that those who attempt to cure the defects in banking and put it upon a more substantial basis are better friends than those who conceal the faults of the system and engage in indiscriminate praise.

I do not agree with those who declare that our banking system is the worst in the world, nor with those who are constantly asking us to substitute for our system some old world system. Our banking system must be the product of our own conditions and consistent with our institutions. Jefferson was once asked to write a constitution for a French colony which located in one of the southern states and, although he had had rare experience in public life, he declined to write the proposed constitution on the

ground that a constitution must be the outgrowth of the history and traditions of the people and that no outside person was competent to write a constitution for them. So no European banking system can be transplanted here. We do not need a great central bank with branches stretching out to remote cities and strangling independent banks. It is better to preserve the integrity of the individual banks and put them as far as possible upon equal footing so that the competition between them may be a fair competition and the rivalry a healthy rivalry. It is better to correct such defects as our system may have than to attempt to revolutionize it by imitating the banking systems which, however suited to the conditions of other countries, would not fit into our conditions.

In all legislation in this country the first thing to remember is that authority comes from the people and that no legislation can be permanent which is not satisfactory to the people. I object to the appointment of commissions when such commissions are intended merely to postpone action and keep the question out of the campaign. If the people are deceived during a campaign and then taken advantage of at the close of the campaign, the result is not apt to be satisfactory. The bankers try to keep on good terms with their depositors and they will find it to their advantage to take the public into their confidence and confer frankly and fully about proposed changes in the law.

Let me divide my subject into two parts and first speak to you for a moment about bank currency and then I shall deal more at length on bank deposits. There has for some years been a demand for an emergency currency and this demand has been accentuated by the recent panic. I think that there is a general disposition to provide for the emergency currency in time, but the willingness of some of our financiers to postpone action until after the election rather than permit the adoption of any plan which they may oppose, arouses the suspicion that the currency question may not be as serious as we have been led to believe. But assuming that there is need for an emergency currency—I believe that it is well for us to make provision for such currency—how shall it be issued and how supplied to the country? Both of the plans before congress involve a change in the basis upon which our bank notes rest. The Aldrich bill would substitute bonds; the Fowler bill provides for issue upon the banks' assets. Both of these plans, however, as will be seen, involve a distinct departure from the present system. The bank notes now in circulation rest upon government bonds and as they rest upon the government's obligation, they are guaranteed by the government and have always maintained their place by the side of the greenback. If a new kind of bank note is issued, it establishes a new system and an emergency currency ought to be provided by some plan consistent with the present system. An emergency currency can be provided without any new departure, without any violation to existing systems and without raising any new questions. We now have in circulation some three hundred and forty-six millions of dollars in United States notes commonly called greenbacks, and to issue similar notes as an emergency currency would be merely an extension of a plan now in use. We also loan money to the banks and these emergency greenbacks could be loaned to the banks without resort to any new system or the establishment of any new principle. Then, too, the issue of government notes as an emergency currency would enable the government to supply local needs more fully than is possible under a bank currency. Only national banks are allowed to issue bank currency and the measures under consideration in congress do not contemplate any enlargement of this right. There are more state banks than national banks and they perform a real service to their respective communities and fill a legitimate place. If the emergency currency is to be a bank currency it can only be put in circulation through national banks and those communities which have only state banks can not be relieved in times of stress. Why not provide an emergency currency that can be loaned to state banks as well as national banks and thus treat all communities alike and give relief everywhere? This plan recognizes the usefulness of the state bank and in the matter of emergency currency puts it upon the same footing as the national bank. Why should the national bank claim a monopoly of the right to relieve a financial stringency?

If a government emergency currency is conceded there will be no difficulty about the security. The money can be loaned to individual

banks on a specific deposit of bonds, or it can be loaned to district clearing-houses without specific security, for if the clearing-house is given power to bind all the banks in that district, their assets will be sufficient to protect the government from loss and no specific security need be supplied.

As to emergency paper then, the government should stand ready to supply United States notes as needed, these to be loaned to national or state banks upon prescribed security and at a rate which will compel retirement when the emergency is over. And the security should be such that either an individual bank or a group of banks may secure the money needed for the business of the community. But I am more interested in the protection of depositors than in the emergency currency. First, because the emergency currency is needed only occasionally while protection to depositors is a permanent need, and second, because I believe that the guaranty of depositors would call forth so much money from hoarding and hiding that we would have less occasion to resort to emergency currency.

Banks invite deposits and deposits are invited of course upon the theory that the money deposited can be withdrawn at any time. That this is the assumption can easily be demonstrated. While the banks publish a list of their directors to give a sense of security to the depositors, the directors will not agree to be bound for the repayment of deposits beyond the legal liability attached to them as stockholders. Ask them for such an agreement and they will tell you that the danger of loss is very remote and yet, remote as it is, none of them will agree to assume the risk. Why should not the depositor have complete protection? If the bank receives government money on deposit, the government demands security. If the government demands security when it can inspect the banks at will, why should not the laborer or the seamstress have security? Must the ordinary depositor risk his all in the bank when the government is not willing to risk anything?

What objection is made? The banker says that he does not want to be responsible for the action of other banks. But if banks will not trust each other, can they blame the depositor for feeling a little timid?

The bank receives its deposits largely because of the presumption of security that the government furnishes. The fact that the bank is incorporated by law is in itself an advantage, for the law rests upon a presumption which does not exist in the case of an individual who announces himself as willing to accept deposits. All the laws regulating banking are made mainly for the benefit of the depositors. Why is the bank compelled to keep a certain percentage of its deposits as a reserve fund? It is for the security of depositors. Why are banks inspected? For the security of depositors. Why is a banker forbidden to loan more than one-tenth of the capital and surplus to one person? For the protection of depositors. It will be seen that the regulation of banks is in the interest of deposits and yet this regulation only raises a presumption of security—it does not provide security and experience shows that the depositor can not know certainly about the affairs of a bank until the bank closes up.

In addressing a meeting in New York City recently, I stated that nearly every bank failure was due to the misuse of the funds by the officers or directors, and ex-Secretary Gage and Mr. Baker, president of the First National Bank of New York, were present and verified my statement. And yet in spite of this fact it is difficult to secure effective legislation protecting depositors from the misconduct of directors and officials. In the Walsh trial in this city a bank examiner testified that the law forbidding the loan of more than ten per cent of the capital and surplus was only directory and that if a bank violated the law it was notified of the violation and that if it continued to violate the law it was notified again. This law is not enforced. (At this point Mr. James B. Forgan, of the First National Bank of Chicago interrupted with the statement, "That is not true now," and the following dialogue followed: Mr. Bryan: "Since when?" Mr. Forgan: "Since the law increasing the loan to ten per cent of the capital and surplus." Mr. Bryan: "Was the law enforced in New York during the panic last fall?" No answer being given, Mr. Bryan continued: "I will venture my reputation upon the statement that the law was not enforced at that time in New York, and I will add that the panic would have been worse if the law had been enforced." Mr. Bryan proceeded.) There ought to be