

Senator Owen on Guaranteed Deposits

A Timely Article by Hon. Robert L. Owen of Oklahoma

The Oklahoma bank deposit guarantee plan makes the following provisions:

First: The law requires a fund equal to approximately one per cent of the average annual deposits to be placed under the control of the state, out of which the depositors of any defunct bank can be immediately paid.

Second: It provides that any person in the banking business under a state charter shall be a person of good character, of good precedents, and of good conduct. It provides that the money of the bank shall not be loaned to any of the active officers of the bank. It provides that not over four per cent shall be paid for a bank deposit of six months time, or longer, and not over three per cent for shorter periods of time.

It provides that no excessive loans shall be made to any individual or corporation. It provides for a substantial and safe reserve in cash. It provides for frequent examinations of the state banks. It permits the redeposit with the bank of its own contribution to the guarantee fund, provided such deposit is secured.

The law is skillfully drawn to prevent its abuse by speculation, by improvidence, or by corrupt officers. The state bankers on December 7, 1908, held a convention for the purpose of considering this law and perfecting the law out of their experience in its present operation.

The first argument in favor of the guarantee plan is that it will have a powerful tendency to promote and establish the stability of our national commerce by the prevention of panic. Financial panic, which is the basis of commercial paralysis and disaster, is invariably caused by the withdrawal of deposits by frightened depositors for hoarding. Many causes may contribute to excite the distrust of the depositor, but if the state has available an adequate fund from which the depositor knows he will be immediately paid, the effect of such knowledge is to prevent the withdrawal of deposits for hoarding, and will prevent the more acute form of "a run on the bank." When a depositor is satisfied in mind his contentment goes far to establish the commercial confidence upon which our commercial prosperity must rest, and business will re-

main stable and undisturbed when the fifteen million depositors of the United States feel secure in their deposits.

The comptroller's reports for thirty years shows that for every dollar in currency in the banks there is \$10 of deposits. In other words one dollar of currency in the active American business life is turned over ten times, and becomes a basis of ten times that amount of bank credits; and the reverse is necessarily true that if the depositors become frightened and withdraw a hundred million of currency for hoarding it would result in a corresponding shrinkage of credits approximately of ten times this amount. This means commercial paralysis, such as we witnessed in October, 1907.

The second argument is, that the depositors from whom the banks make their dividends are entitled to safety, and that since this safety can be assured by a very small tax the welfare of the individual unit demands this protection.

The history of the national banks for the ten years past shows that only one dollar annually has been lost to the depositors, out of \$70,000,000 of deposits. In other words a tax of one-seven-hundredth part of one per cent would be sufficient under a system where the bank examination was thoroughly well made.

It would not only be inexpensive to the banks to provide this guarantee fund but would actually be profitable to them, because it would bring from hoarding probably from one-fifth to one-third as much money as is now in circulation, and increase their deposits a corresponding amount, to wit, from one-fifth to one-third. This would increase the earning power of the banks; it would make money more abundant for the borrower; would enlarge the volume of our credits, and generally stimulate the activities of commercial life in the United States.

It would give peace of mind to the banker and save him from unexpected and undeserved disaster, where perhaps a current rumor might cause "a run" and paralyze his institution.

Before the war the state bank of Indiana had a guarantee plan protecting the depositor, which worked with entire perfection. The New

York ante-bellum plan did not fail to protect the depositor, but the state banks, being permitted to issue money without adequate control, got into difficulty because of this fact. We have in force now even a guarantee plan that works to perfection in guaranteeing every bank note issued by every one of over six thousand national banks, which has thoroughly perfected the peculiar deficiencies of the old New York plan.

The objections made to the bank deposit guarantee plan are the objections offered by the big city banks, who believe that perfect safety to the depositors of small banks will deprive the big banks of some deposits which they now enjoy. For this reason the big banks have been vigorously educating the people against the bank guarantee plan, using numerous ill-considered arguments against it.

First: That it will promote speculative banking, the offer of high rates of interest for deposits, the loaning of the deposits so obtained to the bank officers, the establishing of banks by corrupt and unprincipled people. These inconsiderate charges are fully met by the Oklahoma law, which does not permit a man of bad character to run a bank; does not permit him to lend the money to himself; does not permit him to offer over four per cent for money, and forbids him lending the money at exceeding ten per cent, so that he can not jeopardize the bank by dangerous loans.

It really is a conflict of interests. The big banks have a quasi guarantee of their bank deposits, which they ingeniously and properly call "the guarantee of character." It is the purpose of the Oklahoma plan to put the "guarantee of character" of a well-organized state administration behind every state bank, with a guarantee fund sufficient to protect every depositor who, trusting in the good character of his state, puts his funds with a bank chartered by that state. The state has no general liability, but only the liability of custodian of the fund, and the faithful administration of the law. The plan has worked excellently well in Oklahoma, and if any defect should appear in the statute it would be promptly corrected.

ROBERT L. OWEN.

KING CORN

The national corn exposition recently held in Omaha was a revelation to thousands of people who entertained the idea that "corn is merely corn." A few years ago the uses of corn were confined to feeding stock, making corn bread and mush. Now this cereal is taking its proper place among the foodstuffs of the world, and its many by-products are being utilized to the fullest extent. As a result the price of corn is enhanced, and the price of corn land grows daily. The corn raising area is restricted, and the future enlargement of the corn crop is dependent upon intensified farming rather than upon the utilization of added acreage. The corn producer no longer selects his seed haphazard, puts it into the ground after hasty preparation and depends upon chance. Agriculture is becoming an exact science, and state agricultural schools are doing a splendid missionary work in preparing the way for scientific soil culture. The Omaha corn exposition will give an added incentive to further investigation and experiment, and the results will be beneficial in many ways. It is not hazardous to predict that the days of ten-cent corn are forever gone from the west.



A DEMOCRATIC PAPER LOST

The Des Moines Daily Tribune, established less than two years ago as a democratic newspaper, has been forced to abandon the field. The Tribune becomes the evening edition of the Des Moines Register-Leader, and is therefore no longer a democratic newspaper. George F. Rinehart, than whom there is no more loyal or able democrat, established the Tribune and made it a strong and virile exponent of democratic principles. He devoted himself to the work with all the ardor of his intense nature, and he made the Tribune one of the strongest weapons in the democratic arsenal. But the business struggle was too great and the Tribune was forced to abandon the field. Mr. Rinehart, however, will not be lost to the ranks of the newspaper

workers. His splendid talents will be given an outlet in another direction, and he will continue to be one of the strong, able and tireless defenders of the principles of democracy.



BLISTERS!

Out of the great mass of words employed by President Roosevelt in his latest message to congress, the Omaha World-Herald selects the following as some of the phrases and adjectives used in declaring that there is no need to investigate the charges respecting the purchase of the Panama canal:

"Scurrilous and libelous."
 "False in every essential particular."
 "From individuals known to be of bad character."
 "The wickedness of the slanderers."
 "For campaign purposes."
 "Concocted with a view of possible blackmail."
 "Need no investigation whatever."
 "String of infamous libels."
 "Lying and libelous editorials."
 "Real offender is Mr. Joseph Pulitzer."
 "He should be prosecuted for libel by the government authorities."
 "Encouragement of iniquity."
 "Infamy of wrong doing."
 "Guilty of blackmail."
 "Villifier of the American people."
 "Wantonly and wickedly."
 "Blacken the character."
 "Wrongdoing of the basest and foulest kind."



INVESTIGATION NECESSARY

In his latest message to congress, referring to the Panama canal affair, Mr. Roosevelt said: "A member of congress has actually introduced a resolution in reference to these charges. I, therefore, lay all the facts before you * * * Now the stories, as a matter of fact, need no investigation whatever. No shadow of proof

has been or can be produced in behalf of any of them. They consist only of a string of infamous libels."

Let us hope that the president of the United States is not mistaken. But the serious charges made involve Mr. Roosevelt's administration and he is not the one to say that they "need no investigation." Indeed, he should be the first one to demand an investigation and to insist that it should be made by such men and under such circumstances as will preclude the suspicion that investigation, in the event of a verdict of acquittal, has not been thorough.



LAUGHTER!

Following is an extract from a Washington dispatch to the Denver News:
 "President Roosevelt's message on the Panama scandal was read in the senate today and was received with loud laughter. Few of the senators seemed to take the message seriously, and those who did were apparently pained and surprised at the general levity. But frown as they would, their colleagues cast aside august reserve, lay back in their seats and laughed. Some of the laughs were derisive, some good-natured, some boisterous. Never before had a president been so laughed at in the upper chamber of congress, and what made the situation acutely painful for Roosevelt's close friends was that the message itself showed that the president was deadly in earnest. Senator Bailey started the merriment at the very first paragraph of the message. As the secretary read the president's statement that the canal charges were 'false in every particular,' the Texas solon just screamed. Other senators on both sides of the chamber joined with him and the chorus became a roar. When the secretary read that 'unfortunately, ill-informed people would believe the charges even though they read them in 'a paper published by Mr. Pulitzer,' there were repeated peals of laughter, and this time the merriment was somewhat at the expense of the newspaper publisher."