

# A Regulation That Regulates

The readers of The Commoner will be interested to know that Comptroller of the Currency John Skelton Williams is endeavoring to secure legislation which will increase the security of depositors and compel national banks to observe the rules laid down for their guidance. He wants a regulation which regulates.

He makes several recommendations, three of which ought to meet with unanimous approval.

First: He asks for an amendment to the law as follows:

" \* \* \* giving to the comptroller of the currency, with the approval of the secretary of the treasury, the power to require the removal of any director or directors or of any officer of a bank guilty of a violation of any of the more important provisions of the national bank act, and to direct that suit be brought in the name of the bank against such director or directors after they have ceased to be connected with the bank, for the losses sustained by their malfeasance or misfeasance in office."

And why not? If a director or officer is guilty of a violation of the provisions of the national bank act why should he not be removed?

Second: Mr. Williams recommends limiting deposits to not more than ten times the capital and surplus. His recommendation is as follows:

"The reports of condition of the national banks, according to the statements of September 12, 1914, to the comptroller of the currency, show that, on an average, the total deposits of all national banks amount to about four and six-tenths times their total capital and surplus. This means that the average capital and surplus of these banks is equal to approximately 21 per cent of the total amount of deposits. There are, however, national banks whose deposits amount to ten or more times their capital and surplus, and in these cases the margin of protection to depositors is only 10 per cent or less of the sum total of deposits. Usually the amount of money which a bank has invested in loans approximates the amount of its deposits. In the case of a bank whose loans equal its deposits, and whose deposits are approximately ten times its capital and surplus, it is obvious that the loss of over 10 per cent in loans would wipe out both capital and surplus and destroy the solvency of the bank, rendering it unable to pay its depositors.

"The view is held by many practical bankers and experienced economists that it is not sound banking for an active commercial bank to be allowed to receive deposits in excess of ten times its capital and surplus. I am firmly impressed with the correctness of this view, and respectfully recommend to the congress that the national bank act be amended so as to provide that no national bank shall be permitted to hold deposits in excess of ten times its unimpaired capital and surplus. Perhaps it might be wiser to make this limitation eight times the capital and surplus.

"Such a limitation need not interfere with the growth and development of the bank. When its deposits approach an amount equal to ten times its capital and surplus, or whatever other limitation may be fixed, arrangements may be made to increase its capital. A bank whose deposits amount to ten times the capital and surplus, if efficiently managed, should be so profitable that there would be no difficulty in providing for an increase of capital by the sale of additional stock, and when the proposed increase shall have been authorized by two-thirds of its stockholders and approved by the comptroller of the currency, it can be made promptly effective. A commercial bank whose capital and surplus amount to less than one-tenth of its deposits is, except possibly under very exceptional conditions, doing business on too small a capital and upon too narrow a margin for safety, and does not furnish its creditors the protection to which they are entitled against unexpected losses and contingencies which are liable to, and do, so frequently arise."

This is a matter of the very first importance. A bank requires a borrower to show that he has a reasonable surplus above what he owes. Why should the bank be allowed to accept deposits indefinitely when its capital and surplus are the

only margin it has for the protection of its depositors? If a bank's deposits amount to twenty times the capital and surplus it means that its assets are only 5 per cent above its liabilities. If its deposits are thirty times its capital and surplus the margin is reduced to three and one third per cent. If a bank's deposits are limited to ten times its capital and surplus, it has only a ten per cent margin for the protection of its depositors, and that is surely little enough.

Third: But the third suggestion is not less important. It reads as follows:

"It is earnestly recommended that the law be so amended as to place it within the power of the comptroller's office to penalize, by imposition of appropriate fines, all infractions and violations of the law and regulations of the office; and it is suggested that these fines should be imposed upon the offending officials as well as upon the bank. Certain violations of the law and regulations should be punishable with imprisonment as well as a fine, suits to enforce such penalties of course to be instituted by the department of justice in the United States courts."

This is a very much needed amendment to the banking law. At present the law against overloaning is practically a dead letter because it can only be enforced at the expense of the community. If a bank loans more than the permitted amount to a borrower, the only remedy is to close the bank, which punishes the community as well as the stockholders. The penalty should be enforced against the officials who make the loan. Such a penalty would not only restrain the officials when tempted to overloan, but the law would give him a sufficient excuse for refusing a loan. Without some such criminal provision to back up against, the official may be at a disadvantage when confronted by the insistent demands of a valuable customer.

The comptroller makes other recommendations, but these indicate the direction of his efforts. It is fortunate that the country has in so important a position one who takes the people's side and looks after the people's interests.

W. J. BRYAN.

## Postoffice Primaries

Owing to the increased interest throughout the country in the plan of selecting postmasters at primary elections and for the purpose of supplying information to a number of persons who have asked for a detailed plan for holding postoffice primaries, we publish below the rules that were formulated by Congressman Dan V. Stephens, and are now being used in the Third congressional district of Nebraska. Congressman Stephens' rules are as follows:

### RULES FOR CONDUCTING PRIMARY ELECTIONS FOR THE RECOMMENDATION OF A CANDIDATE FOR POSTMASTER TO THE POSTMASTER GENERAL

Section 1. For the purpose of forming an election committee to conduct a primary for the election of a postmaster at \_\_\_\_\_, Nebraska, I hereby appoint \_\_\_\_\_ to act as chairman of said committee, which is hereinafter provided for in these rules.

Section 2. The chairman should publish a notice in the local newspapers for one week requesting the candidates for postmaster to file their applications with him for the consideration of the election committee. Each candidate should also be requested to file with the chairman the names of three men affiliated with the democratic party, any one of whom would be acceptable to him as a member of the election committee.

Section 3. After the date for filing applications has passed the chairman should appoint the election committee consisting of not less than six members besides himself, making the appointments from the list of names filed by the candidates, giving each candidate as far as possible his pro rata share of representation on the committee.

Section 4. As soon thereafter as convenient, the committee should meet upon the call of the chairman and proceed to pass upon the eligibility of the candidates, fix the date and places for voting, print the ballots, and make any other arrangements or rules necessary in carrying out the election herein provided for. When the committee has fixed the date for the primary election, the notice should be published in one or more local newspapers for at least two weeks, the notice to read as follows:

Notice is hereby given that a primary election for the purpose of selecting a candidate to be

recommended for the appointment as postmaster of the postoffice at \_\_\_\_\_, Nebraska, will be held on \_\_\_\_\_, the \_\_\_\_\_ day of \_\_\_\_\_, 1914, between the hours of \_\_\_\_\_ o'clock a.m. and \_\_\_\_\_ o'clock p.m., at \_\_\_\_\_.

All legal voters, resident of, or served from \_\_\_\_\_, who are patrons of the postoffice are entitled to vote at this primary.

Signed \_\_\_\_\_  
Chairman of Primary Election Committee.

Secretary of Primary Election Committee.

Section 5. The committee should reject all candidates who have not been consistent adherents of the democratic party. If any candidate should have his party allegiance challenged, the committee may, if in doubt, require the candidate to file a sworn statement to the effect that he is a consistent adherent of the democratic party and that he voted, if he had the right to vote, for the last two democratic presidential candidates, which evidence shall constitute his eligibility as a candidate at this election.

Section 7. All legal voters who are patrons of the postoffice living either within the corporate limits of the city or on rural routes are entitled to vote at this election. Each voter before a ballot is delivered to him should be required to give his name and street address or the number of the rural route and his box number, which shall be recorded in a register provided for that purpose by the primary election committee.

Section 8. If the right of a citizen to vote be challenged he should be required to swear in his vote as provided for by law for general election.

Section 9. The general election laws of Nebraska pertaining to and governing the conduct of elections, will apply at this election when not otherwise provided for herein. The conveying of voters to the polls by candidates or their friends is expressly prohibited.

Section 10. Each candidate should be required to name one member of the election board by filing the name of said proposed member with the secretary of the primary election committee, and if any candidate fails to have his representative present at the polling place it will not constitute grounds for complaint afterwards.

Section 11. The election board should canvass the votes cast for each candidate, and certify the same to the primary election committee, each member of the election board signing the certificate.

Section 12. The primary election committee through its chairman and secretary should make up a certificate showing the total vote cast for each candidate at the polling places and forward the same, together with the register of voters kept by and certified to by the election board, to Congressman Dan V. Stephens, Washington, D. C., who will upon receipt of such evidence recommend to the postmaster general for appointment as postmaster the person receiving the highest number of votes cast.

Section 13. Each candidate approved by the election committee should be required to pay a filing fee sufficient in the judgment of the committee to cover the cost of the election, the amount remaining unexpended to be prorated and returned to the candidates after the election.

Section 14. Any candidate knowingly violating these rules or the general election laws of Nebraska, or permitting his friends to do so, may be refused a certificate of election by the primary election committee from whose action there will be no appeal.

DAN V. STEPHENS,  
Member of Congress,  
Third Nebraska District.

It is not difficult now and then to see the hand of Providence in the politics of the United States. J. S. Baache, one of Wall street's big bankers, who joined his fellows in opposition to the federal reserve system, when it was in the making, said recently in a published letter: "It is almost startling to think, as a demonstration of the fatefulness of coincidences, that it is only within a few months that we have been fitted to assume the great position thrust upon us (i.e., financing foreign loans) for without this federal system, credits with us would have all been tied up, as they had been for fifty years."

Senator Root's chief complaint, with respect to the administration shipping bill, was that the democrats were putting it through by brute force. Senator Root was the chairman of the republican convention of 1912, when the standpat steam roller flattened out the hopes of the Roosevelt followers, and anything resembling brute force is naturally abhorrent to him.