SOME GOOD EVIDENCE

Former Secretary Gage and Congressman Fowler on the Deposit Guarantee.

THE WALSH FAILURE CITED

Clearing House Action Like Plan Proposed by Democrats.

Guards Against Honest Bankers Suffering Runs—Modern System of Credits—Bankbook Should Be Worth Face Always

[By John E. Lathrop.]

Lyman J. Gage, former secretary of the treasury, may be regarded as sufficiently "conservative" to obviate fears that he would be "unsafe" in his banking views. Before the house committee on banking and currency in Washington Mr. Gage discussed national finances and particularly the national bank. He sought an illustration of the idea he was expressing, which in general was in support of the guarantee plan, and like many others found it in the Walsh failure in Chicago.

After explaining how the clearing house banks took over the assets of the failed institution, guaranteed all depositors, and prevented runs on other banks, Mr. Gage said:

Mr. Gage's Statement.

"Well, they learned another lesson and they adopted another principle, a principle provided for in this (the Fowler) bill. By the vote and voluntary compliance of all the members of the Clearing House association, they authorized the clearing house at any time and at stated periods to act upon its own volition and on its own account, and for the information of the clearing house committee itself to have full, complete and comprehensive investigation of each member of the association, and not only of each member, but of every institution that carries the name of bank over it that is cleared or represented in the clearing house by any clearing house bank; and I can tell you as a safe prophecy that we are at the end of disastrous failure in the city of Chicago by clearing house banks, since this regime has come in. I am told that Kansas City has the same thing, and other cities will eventually adopt it."

Representative Fowler, Republican.

Charles N. Fowler, Republican, of New Jersey, chairman of the house committee on banking and currency, appears in the Congressional Record with a house speech in support of his bill which provided for guarantee of bank deposits. He specially answered the assertion that such a guarantee would induce reckless banking, saying:

"Mr. Chairman, we are occasionally met with the statement that guarantee of deposits would lead to unsound banking. * * * Can you think of a banker, because he had insured his deposits, going into the directors' room and saying: 'Gentlemen, we have insured our deposits today. Now let us proceed to make some rotten loans?'

"Is it not possible that it will occur to those directors that their losses must come out of their profits, out of their reserves, out of their capital, and out of their reputations? Will they not realize that they can get nothing out of the guarantee until the last dollar of their capital, surplus and profits has been wiped out, and stockholders have been assessed double the amount of their stock?

The Bankers' Reputation.

"Until their reputations have been injured, if not ruined, and possibly some of them have been started on the road to state prison? Can anybody think that any board of directors of any bank would be less solicitious, anxious and honest and wise after they had guaranteed deposits than they were before?

"I assert again, after the most mature deliberation, that if there is one reason for insuring life and home, there are more than a thousand good reasons—more than ten thousand good reasons—why the depositors of the banking institutions of the United States should be insured."

Two Valuable Contributions.

These two men have offered valuable contributions to the discusson of the proposed guarantee of bank deposits. Mr. Gage has set forth the present trend of bankers towards a closer watchfulness over all institutions which accept the people's money in trust, and has indicated the exact means whereby, under a guarantee law, bankers would do as now they do—maintain an association empowered to look sharply into financial concerns which seem to be departing from sound methods.

His reference to the John R. Walsh failure in Chicago was doubtless because it was known to the country generally, having been given wide publicity and therefore most likely to attract attention as an illustration.

However, there is scarcely a locality wherein bankers in late years have not gone under toppling banks and upheld them by guaranteeing deposits wholly or in part, in order to help in the quelling of popular distrust and the undermining of confidence in all banking institutions.

No Delay for Depositors.

It is quite apparent that under guarantee of deposits there would be no alteration of conditions affecting banks now, so far as concerns espionage maintained by one over another. The important difference, however, would be that depositors would not be subject to the annoying, often disastrous, delays in getting their money which now they experience when banks fail.

But, that fewer failures would occur surely would be one of the results of such a law. Everyone knows that many runs are precipitated on banks which are absolutely sound. Many a man, faithful, safe, conservative, conscientious in caring for the money of his depositors, has suffered runs caused by some rumor started through malice. Many an honest banker has had his heart broken by senseless runs, and has groaned in spirit as he realized that gross injustice has been done as reward for earnest and able keeping of the trust reposed in him by his depositors.

The Baring Failure.

When a dozen years ago, Baring Brothers, of London, suspended, it was due to that very espionage by other bankers to which Mr. Gage refers. The Barings had embarked in many South American enterprises, some of which were manifestly unsafe.

The governors of the Bank of England, sensing the danger, refused to accept securities backed by them as basis for the issuance of bank notes under the custom of that country; that action never has been adversly criticized in any country, although it has been discussed ever since the world over.

Modern business is conducted on the basis for the issuance of bank notes tle actual money passes from hand to hand.

Modern System of Credits.

You go to your bank with a bundle of checks and drafts and deposit them to your credit. Against that account thus opened, you draw checks. They pass into the world of business, are accepted at face value, and circulate virtually as does gold, silver and currency. If you pay your bills in checks, often you pass through weeks at a time when you have only a trifle of loose change in your pocket for street car fare and the small things you need from day to day costing too little to bother to draw a check.

"A check cancelled is a voucher," has become a maxim in the business world.

Complications of the System.

This complicates business and forces all banks to associate themselves in clearing houses, and probably the public would be amazed were they to know at times how sharply the clearing house committee looks into methods employed by its members.

In the panic that began last October, funds were carried from bank to bank, taken ostentatiously through the front doors, that depositors might know that other banks believed in the soundness of the institution which had been attacked by a run, and performed almost every essential of the guarantee system.

Why?

Simply because the modern business system is so complicated and so little actual money passes current that each bank must know that the others are properly safeguarding themselves and also that they are permitting the carrying of accounts by depositors whose paper may always be depended on as worth face value.

Beneath the Surface.

So beneath the surface, one could witness the clearing house associations examining collateral, securities and assets, and often serving notice on a given bank that the association will require some change in methods on penalty of refusal longer to clear for that bank.

Banks Out of the Association.

How about banks not in the association? Many perfectly sound banks are not directly in the clearing house. They clear through another bank which does belong.

Precisely the same rule applies to them, for, when need arises, the association serves notice on the member-bank which clears for the non-association bank as to what will have to be done; and it is done promptly, too, in every instance.

Bank-Book Should Be Worth Face.

The essence of the guarantee plan is that a bank book should be worth its face always. An entry in a pass book should not constitute the assumption of a risk by the depositor and the giving of wide latitude to the banker. Such entry should be recognized as just as actual an asset as a bank note.

Also, proper arrangements must be made for the continued espionage of banks by other banks.

Lastly, and quite as important, banking laws must be enforced; overcertification must be stopped; loaning of funds in national banks on obviously speculative schemes must cease; and other reforms must be wrought to invest the banking system of the country with that complete confidence which, if induced would put a stop to all nervousness by depositors.

NO SCARES THIS YEAR.

"No one fears that Mr. Bryan's election would provoke an industrial, commercial and financial cataclysm."—New York Evening Post, Aug., 1908.

Just That Long.

The New York Evening Post, (Republican), asks: "How long are the trusts to enjoy their present license to pick our pockets?"

Just so long as the people keep in power a party which derives its campaign funds from the trusts.

SHERMAN ACCEPTS BLAME

Republican Vice Presidential Candidate Drawn Out by Congressman De Armond.

On the word of James Schoolcraft Sherman, Republican vice presidential candidate, full responsibility for congress' failure to enact many needed laws must be assumed by the Republican party.

April 8, 1908, in the house, as printed in the Congressional Record, Representative David A. De Armond, of Missouri, said:

"When the question is asked anywhere in the country—and it will be asked—why was not this measure considered, why was not that measure passed, why was not the other measure brought up? there is one answer, and only one: Because the Republican majority in this house willed that it should not be considered, should not be brought up, should not be passed. We can stand upon that record. It is well known that there is pressure in the country, and very great pressure, for the consideration and passage of a number of important measures. It is well known that a large majority of the voting strength of the country is insistent upon the consideration and the passage of important measures. Do not go to them again, as you have done so often and so successfully, and endeavor to delude them into the belief that somehow you could not get consideration for the measure and somehow you could not pass it. You can have consideration, because you have the power to enforce it; and, so far as meritorious measures are concerned, as has been demonstrated here more than once and will be demonstrated again, and abundantly demonstrated, you have only to express the will, you have only to give the opportunity, and if you lack the votes upon that side, as you do not, there will be an abundant addition here."

Sherman Admits It.

The same day, replying, Mr. Sherman said:

"The gentleman from Missouri intimates that the Republican side of the house desires to do away with the roll calls because of some fear of making a record upon some question before the house. Mr. Speaker, the Republican party in the house, the Republican party in this nation, is prepared today to accept full responsibility, not only for everything that is done, but for that which is not done in the way of legislation and administration. [Applause on the Republican side.] We recognize the fact, sir, that this government today is Republican in all its branches. We recognize the fact that we have a Republican president, brave, wise, and courageous. We recognize that we have a Republican majority in the senate, that we have a Republican majority in this house that is ready to resort to every legal, every proper constitutional right to enact such legislation as it deems for the best interest for the greatest number of our people, and which is willing and ready to accept full responsibility for all those measures which are introduced here and which are enacted into law."

MR. SHAW ON SOUP HOUSES.

Points Out Workless Laborers and Engineless Cars—Former Secretary Talks.

Former Secretary of the Treasury Shaw, in Michigan last spring, made interesting comment on panics as follows:

"Over 300,000 freight cars standing empty on the tracks; 8,000 locomotives out of commission; one-quarter of the population of several large cities idle, and, for the first time in a Republican administration, free soup houses."

Hide Must Go With the Hair.

In Secretary Shaw's case, the "hide must go with the hair; that is, his comment on economic conditions must be taken "en semble," as the theatrical critics say. His soundness on bank guarantee must accompany equally sound opinion on other mooted questions. Now that Mr. Taft, against whom Mr. Shaw labored, has been nominated, Mr. Shaw might obtain leave to "extend his remarks in the record," and embellish his terse statement relative to soup houses.

He will easily overcome Democratic objection, and perhaps can get unanimous consent, under the rules.

FEDERAL USURPATION---SHAW.

Republican Financier-Cabinet Member Denounces Deal With Steel Trust Last October.

When the Trust Company of America, New York, was in trouble last October, a representative of the steel trust went to Washington and obtained consent of the administration for the trust to take over its chief competitor, the Tennessee Iron and Coal company, as the price of aiding the Trust Company of America. It was a combination in restraint of trade, a violation of the Sherman anti-trust law.

Peculiar Proceeding.

Mr. Shaw thought this a peculiar proceeding, as shown by his speech before the National Electric Light association, May 23, 1908, when he said: "I have no hesitancy in saying that this is the only first-class country in the world where permission could have been obtained from the executive department of the government. Anywhere else such a request would have been answered, 'Go consult your lawyer.'"

Living Cost—Wages.

Has cost of living increased faster than have wages? The answer is found in the following table of two lines:

	Increase.
Cost of living	49 per cent
Wages	19 per cent

Frank W. Hitchcock, now National Republican chairman, former first assistant postmaster-general, recommended a $5,000,000 increase in the compensation of letter carriers, giving as his reason that cost of living has materially increased.

Salaries of senators and representatives were increased 50 per cent, and many speeches were made in both bodies to show that so heavy has been the increase in living cost that the raise in congressional salaries was necessary, lest only wealthy men be able to accept office in either branch of the congress.

Need any housewife be told these facts? Is there a head of a family who does not realize their truth?

The Republican Party's Own Answer.

In his address to the Republican national convention, Temporary Chairman Burrows referred to the Republican victory in 1904, and then asked: "In view of this indorsement, it becomes pertinent and opportune to inquire, what has the Republican party done in the last four years of government control to forfeit public confidence or create distrust in its capacity for future administration?"

For this question the Rochester (New York) Union and Advertiser finds a striking answer. This is the answer which the Union and Advertiser takes out of the mouth of Senator Burrows' own party as stated in the Republican Platform of 1896: "In the broad effect of its policy it has precipitated panic, blighted industry and trade with prolonged depression, closed factories, reduced work and wages, halted enterprise and crippled American production. Every consideration of public safety and individual interest demands that the government shall be rescued from the hands of those who have shown themselves incable of conducting it without disaster."

Tell Us About It.

This paper can give all the local news only as our friends lend us their co-operation. If anyone visits you, if you contemplate leaving town, if you see or hear or do anything out of the ordinary day's routine, tell us about it, that we may tell the public.