

reserves. They can not loan the reserves to individuals but by loaning them to banks, they derive the income—usually about two per cent. If instead of being allowed to keep a part of the reserves in other banks they were compelled to keep the reserves in their own banks but allowed to count government bonds as a part of the reserve, they could protect themselves against emergencies and yet draw interest upon so much of their reserves as was covered by the bonds. There is no reason why the government bond should not be made available for borrowing from the government whether the bond is held by individuals or by banks, but by allowing the banks to keep part of the reserves in the bonds, they could escape the perils involved in the loaning of their reserve to other banks.

The other phase of the money question as it now presents itself relates to the security of depositors. The Wall Street financiers have no plan for the protection of depositors, and they resent any plan which will lessen the advantage which the big bank has over the little bank. Just now, however, the big bank is responsible for the one, and by refusing to return the money deposited with it by the smaller banks, has made the stringency as wide as the nation. The scare which has come upon depositors is likely to stimulate hoarding for some time to come. Not that depositors are justified in being frightened but because they are frightened, and a fright is a fright whether it is reasonable or unreasonable. Something ought to be done to restore confidence among the depositors. The president has recommended a postal savings bank. This is good as far as it goes, but it does not go far enough, and if it did, it would soon involve the government in a large amount of unnecessary work. The guarantee of the banks is more simple and involves less extension of governmental activity.

Two methods have been proposed for the protection of depositors, first—a guarantee fund; second—absolute security. Mr. Bryan advocated the guarantee fund some thirteen or fourteen years ago and endeavored to secure the passage of a bill providing for such a fund. It was defeated then, although it is probable that it would be more popular now. An absolute guarantee, however, is better than a guarantee fund, first—because it can be put into operation more quickly, and second—because it leaves no room whatever for the operation of fear or a scare. It would require some time to raise a guarantee fund sufficient to give confidence to the depositors, and no matter how large the fund might be, it would be so small in proportion to the total deposits that the more timid would still feel that they ran some risk in depositing. But an absolute guarantee upon the part of the government would restore confidence at once, and yet, the government would really incur no risk, for judging the future by the past, the loss which it would have to bear would be little, and this loss could be collected from the banks in proportion to their deposits. The capital stock and the surplus of the banks would be the government's security, and in addition to the capital and surplus, the government would also have the hundred per cent liability which is imposed upon stockholders by law. A deposit in a government bank would be as good as a government bond, and until the states provide for a similar guarantee of state banks, state banks might be allowed to avail themselves of the national guarantee by putting themselves upon an equal footing with national banks as to inspection and security.

When bankers are approached with this plan, they at once suggest that more strict supervision of banks would be necessary. That is not an objection to the plan but one of the merits of it. When banks become liable for each other's deposits, they will be interested in better regulation and it will then be possible to secure laws that will prevent the exploitation of a bank by the directors or officers and other laws which will prevent grain and stock gambling by officials and directors.

If it is urged that the government ought not to go into the business of securing bank deposits, it may be answered that one of the purposes of government is to enable to do together what they can not so well do separately. For instance, the school system illustrates the co-operative power of the people as does the mail service. Every extension of governmental activity has been objected to on the ground that it would take the government into a new department. The rural delivery was objected to on that ground, and yet, who would today criticize the government for attempting to bring the advantages of mail delivery to the farmers? It is certain that we must either have the guaran-

teed bank or the postal savings bank, and the guaranteed bank will involve the government in less work than the postal savings bank. The government now takes charge of every failed bank, collects its assets and applies them to the discharge of the bank's liabilities. That is all that would be done under the system of guaranteed banks, and as runs would be prevented and regulation be made more strict, there would be fewer failures than today. The guaranteed bank, therefore, would reduce rather than increase the government's entrance into business, but the guarantee of the government would be of immeasurable value to the country by making the banks absolutely safe. The banks, too, would profit by it because the tax which they would have to pay to reimburse the government on losses would be small compared with the profits that they would make out of the money drawn from hiding.

It has been urged that bank officials would be less careful if deposits were made secure. This argument is absurd, for the officials are selected by the directors, who are in turn responsible to the stockholders, and as the stockholders would lose everything before the depositors would lose anything, the officials would be under the same restraint that they are today. It is not necessary that the deposits should be insecure or that the community should be subjected to the embarrassments that follow a bank failure in order to make bank officials attend to their business. The criminal law can add a far greater restraint than is imposed by the helplessness of depositors. The democratic party is not in power, but looking at the question from the standpoint of the interests of the whole people, it ought to urge remedies which will meet the present need and protect the public as far as possible from a recurrence of such panics as that through which we are now passing.

FAVORING NEW YORK

Mr. M. F. Dunlap, a banker of Jacksonville, Ill., and formerly treasurer of the national committee, made a speech a few days ago in which he called attention to the partiality which the treasury department shows New York City. He says:

"There is on deposit now in the New York banks about two hundred millions of government money. Their statements made a few days ago show that the clearing house banks of that city have about \$215,000,000 of all kinds of money. In other words, they have their capital, surplus, undivided profits and deposits all loaned out and are doing business on the \$200,000,000 which the government supplied them on which they are not paying any interest.

"At this time the banks of St. Louis have \$3,000,000 of government money, and the banks of Chicago have about \$7,000,000, whereas as stated, New York has about \$200,000,000."

When it is remembered that this money is loaned to the banks without interest and that the banks loan it out at emergency rates, the favoritism appears even more glaring. And the matter is still further aggravated by the fact that these New York banks by refusing to return the western money deposited with them, have caused the stringency to spread over the entire country. The western banks are not to blame for the present panic, and yet, the government instead of helping them, gives most of its attention to New York City, where the financiers have been so indifferent to the interests of the rest of the country.

NOW WATCH FOR TRUST AMENDMENT

The senators and members should be on their guard against the amendment which is likely to be proposed to the Sherman law. It is quite certain that no anti-trust legislation is going to be proposed by the republican leaders this session, but it is more than likely that they will attempt to smuggle through an amendment of the Sherman law which will paralyze its usefulness. There has been a good deal of talk of inserting the word unreasonable in the law so that it will not prohibit combinations in restraint of trade but only combinations which unreasonably restrain trade. This leaves everything with the judge, and he decides whether the restraint complained of is an unreasonable one. The insertion of the word unreasonable would nullify the law and the democrats ought to resist to the last any such attempt. If the republican leaders will present a law which draws the line at monopoly and arbitrarily fixes the per cent of the product which the corporation or combination can control, then the present law can be

entirely repealed, but so long as this is the only law on the statute books, it would be a backward step to weaken it at all. It would be as sensible to talk of amending the law against burglary so as to prevent an unreasonable taking of a man's property or prohibiting more than two burglars to enter a house at one time or preventing the burglars from taking more than half they found in the house. It would be as sensible to amend the law against killing by limiting punishment to killing which was brutal, leaving the polite and refined taking of life to go unpunished.

Watch the republican leaders in the house and senate a little and see that they not only have no thought of protecting the public from the trusts, but will, as soon as they dare do so, weaken the existing laws on the subject. As a campaign is approaching, they may not have the courage to present at this time the amendment which they desire; but wait until the short session that meets after the election—the job session—and they will bring out their scheme for the further protection of the trusts.

OKLAHOMA—PIONEER!

Oklahoma, the newest of the states, is plunging at once into politics. Having adopted the best constitution in the United States, she is now prepared to set the country an example in matters of legislation. While they have been discussing the guarantee of bank deposits in other places, her legislature has gone to work and a system has been adopted which, coming into operation on the 17th of February, will give to the depositors the benefit of a guaranty fund. The following is the press dispatch announcing the inauguration of the system:

"Guthrie, Okla., Dec. 18.—The new banking law for Oklahoma, whereby is provided a guaranty fund for the protection of depositors in insolvent banks, will become operative February 17, 1908. Its makers believe it will make impossible a run on an individual bank or permit a money panic in the state. Each state bank is required to pay to the state banking board a sum equal to one per cent of its daily average deposits. Whenever this sum is depleted it shall be increased by further assessments. When a bank fails, the state bank examiner steps in and forthwith pays the depositors from the guaranty funds held by the banking board. These payments become a first lien on the assets of the defunct bank. National banks that wish to avail themselves of the benefits of the law may do so upon a plan agreed upon by the banking board, the bank commissioner and the comptroller of the currency of the United States."

Good for Oklahoma! The guarantee fund is good; an absolute guarantee would be better and involve no real risk to the government, for the state would have the assets of all the banks to secure it. It will be interesting to watch the experiment, and if it is a success, as it doubtless will be, it will be copied by other states.

Oklahoma is wise in admitting national banks to share in the benefits of the plan. We shall sometime come to a guarantee of national banks, but until that time it is only fair that the national banks established in a state shall share in the benefits of the state guaranty fund.

THE SUBSIDIZED PRESS

When at Richmond, Va., last October, Mr. Bryan referred to the subsidized press and said that some of our metropolitan newspapers were being conducted not as newspaper enterprises but as adjuncts of exploiting enterprises and that the owners of the papers employed brilliant editors to chloroform the readers while said owners picked the pockets of the readers. The New York World demanded proof. In a speech in New York Mr. Bryan replied to the World's demand and said that it was not necessary to furnish proof in support of a self-evident truth and that he did not care to enter into a personal controversy with newspapers. It is a well known fact that a number of the metropolitan papers are owned by men who are interested in various kinds of exploitation, and Mr. Bryan has felt complimented by the fact that all of these papers have been his bitter and continuous opponents. He has not expected fairness from them, and their opposition has benefited rather than injured him.

But while the ownership of some of these papers is known to a few, the evidence of their ownership is not easily obtainable. One paper, for instance, is controlled by the Morgan combine, another is controlled by the Louisville &