

TWO BANKERS ON THE GUARANTEED DEPOSIT PLAN

A WISCONSIN BANKER ON GUARANTEED BANKS

The Chicago Record-Herald prints the following:

Manitowoc, Wis., February 18.—To the Editor: When men in high places say a thing it goes, politically, financially or otherwise. If these same men were of the common herd, although possessing the same abilities, their doctrines would not have much weight. Although opinions ought not to be measured by position, or wealth, or the size of a bank, yet these things carry a great prestige with them.

I realize that, owing to this difference, what J. B. Forgan, the president of the largest bank in the northwest, with deposits of over one hundred million dollars, lays down as a truism, carries with it a certain conviction, and a small banker is at a disadvantage in contradicting him. The only way to do so and smooth out the harmful dents he may have made in a single stroke is to persistently and repeatedly keep pegging away at it, and thereby eradicate the errors he may have made.

Mr. Forgan has written an open letter to Bryan, complaining of misrepresentation and reiterating his argument against deposit insurance—that the depositor would not sharply look to select the safest bank to put his money in. Now what does this sharp look amount to? Nothing, as I told him before. I looked sharp when I selected my reserve bank in Chicago, which was one of the largest, had the best reputation, its stock sold at three times its face value, and yet it failed, and not owing to intentional dishonesty either. Our financial congressman, Mr. Fowler, in his Albany address the other day, said: "Not one person in ten thousand has any idea whatever about the true inwardness of the bank with which he is doing business. It is absolutely a matter of faith, and a blind faith at that."

The bank I represent stands as high in the estimation of the community where it is located as his bank stands in his locality, and yet he knows as well as I do that our depositors have worried more or less for the safety of their deposits, in spite of having selected our bank as the safest.

Mr. Forgan takes exception to the accusation that he is arguing from a selfish motive, and says: "If it is selfish to defend one's self and one's bank, then I admit I am selfish." So he admits that the application is not misplaced. There is nothing wrong in it, for selfishness is engrafted in all of us. Forgan is selfishly actuated to guard against anything which might frustrate his cherished hope of attaining the highest pinnacle in finance. I, too, am selfish, and my selfishness is also based on ambition, and aims at the realization of my fond hopes to attain a banking system which will prevent financial disturbances, relieve our depositors of worry, and give us the best banking system on earth. The realization of such an ideal system would give me more pleasure, and be worth more to me, than the gift of Forgan's hundred million dollar bank, and by it I would acquire the good name which, as Forgan cites from Solomon, "is rather to be chosen than great riches." As the attainment of my deposit insurance plan is worth

more to me than a hundred million dollars, I might be considered more selfish than Mr. Forgan, who is only striving to conserve and add to what he holds.

The question now arises, which selfish motive should be most encouraged—Mr. Forgan's, who admits that it is for the benefit of himself and his bank stockholders, or mine, which is for the general welfare. Any insurance expert will admit that bank depositors' insurance is less hazardous than any other, and the reason why no companies were organized sooner is because of the fear of a government insurance system which would at once drive them out of business. But nevertheless, insurance companies have entered this field, and more are ready to enter as soon as they know what congress will do. When these companies are once firmly established Mr. Forgan's bank, in spite of its high standing, will be forced to insure its depositors. In the face of these conditions, why not do it at once, at the least expense and in the most effective, safe and practical manner?

JOHN SCHUETTE,
President Manitowoc Savings Bank.

GUARANTEED BANKS

M. R. Collins, president of the Douglas, (Wyo.) National bank, recently received from a Chicago banker a copy of Mr. Forgan's reply to Mr. Bryan. Mr. Collins sent to his Chicago correspondent the following letter:

Douglas, Wyo., February 21, 1908.—Mr. C. N. Gillett, Cashier First National Bank, Chicago, Illinois. Dear Sir: Your favor of the 16th inclosing printed copy of Mr. Forgan's reply to Mr. Bryan received.

Mr. Forgan's argument seems to me to be unsound in many particulars. Great stress is put on the value of the good will of a bank. The value of this good will is due almost wholly to the depositors.

Your good bank is used as an illustration. Mr. Forgan has undoubtedly selected one of the very best banks in the United States, however, what assurance have we depositors in the First National bank of Chicago that the bank will not pass into the hands of some of these "frenzied financiers" at any time. Mr. Forgan is now generally supposed to control the bank. A few years ago it was Mr. Gage. How do we know but that a few months hence it will be a John R. Walsh? I believe your bank not only guaranteed but helped to pay the depositors of the failed Chicago National bank. Suppose that failure had been a few years later—say on October 30, 1907—would not the depositors in that bank have had a perfect right to question Mr. Forgan's line of argument? The shares of the Chicago National also sold at a large premium above book value up to the very day it failed; its stock, very likely, was also held by "estates of deceased persons, trusts for widows and orphans," etc., and its president was considered, by its depositors at least, as able a financier as Mr. Forgan is now considered by the depositors in the First.

The fact of the matter is that the depositors do not know, and have no way of knowing, if a bank is safe or not. It may be safe today, the stock may be transferred tomorrow to per-

sons who will proceed to make it unsafe but the depositors do not know when the change takes place. I believe there is no question but that if every share of stock in the First National of Chicago changed hands tomorrow; if every officer was replaced with a new man, the bank would still retain a large part of its present business.

If this is not true the "good will" rests in the officers and stockholders and not in the bank. In any event somebody or something is holding the business and other banks equally safe are unable to get the business away from them.

The argument in reference to a "premium on dishonesty" is also faulty, in my opinion. It has been demonstrated quite frequently of late that the dishonest have little trouble in purchasing and controlling banks in good standing. It seems to me that the present requirement that persons wishing to start a national bank must first be indorsed by a public official "and unless the applicants are reasonably well rated in mercantile agency reports further evidence of their good financial standing should be furnished" can be extended so that it will apply to all directors in national banks. No person should be a director in a national bank until the comptroller is satisfied that he is of good reputation and in good standing. I do not wish to be understood as arguing that all rascals can be kept out of the banking business by rulings and laws. If they could be there would be little call for government guarantee of bank deposits. The deposits should either be guaranteed or no bank should be permitted to use the word "national" as a part of its name. Mr. Forgan says: "The government, being responsible for the deposits, puts all on an equality and makes all equally good." The question as to the safety will not bother many depositors if they are "equally good." I know of no good banks that are not safe.

I believe a great many country bankers believe as I do in this matter. If a pamphlet giving a few of the arguments for and against government guarantee of deposits be mailed to every national bank in the United States with a request that they vote on the matter it will be found that more of them favor it than are against it.

As a citizen I favor it because the man who saves for the rainy day should have some place to put his money where he will have it when the rainy day comes. As a banker I favor it because I believe it will help the banking business by bringing out the large amount of money that is now in stockings. Not only this, it will have a tendency to cause many more people to save their money and become valuable bank customers.

At present there are a great many people who will not put their money in any bank. After one has lost one's little all because some bank president has "guessed wrong" on "Steal Common" or wheat the "good will" of some other bank is not good enough to look good to him.

I have sized this up that there are twenty things in favor of this to one against.

Yours truly,
M. R. COLLINS,

ILLINOIS DEMOCRATS IN SESSION AT SPRINGFIELD

Seventy-nine democratic clubs were represented by about one thousand delegates at the democratic rally held at Springfield, Ill., February 21. Officers were chosen as follows:

President—Adlai E. Stevenson, Bloomington.

Vice-President—J. H. Graham, Springfield.

Secretary—J. T. O'Donnell, Bloomington.

Treasurer—J. B. Mount, Joliet.

The following executive committee was named at the close of the meeting:

Hon. A. E. Stevenson, ex-officio chairman, McLean county.

Carter H. Harrison, Cook county.

Edward F. Dunne, Cook county.

W. L. O'Connell, Cook county.

Millard F. Dunlap, Morgan county.

Alfred Orendorff, Sangamon county.

Magoon Barnes, Marshall county.

Dr. Walter Watson, Jefferson county.

J. W. Yantis, Shelby county.

The following report is taken from the Illinois State Register, published at Springfield: Ten thousand people gathered at the arse-

nal in this city last night to hear William Jennings Bryan discuss the political issues of the hour. Ten thousand people cheered the Nebraskan to the echo. This ovation to the democratic leader by such a vast audience, months before the conventions for presidential nominations have been held, is a most significant event. It was an event which proved a fitting and brilliant climax to an eventful day for Springfield, for Illinois and for the nation. Yesterday in this city was shown conclusively that Illinois wants Bryan for president, and if Illinois wants Bryan for president the nation also wants him for its chief.

That such a vast audience gathered last night despite the inclement weather, was a surprise to the most sanguine who had the meeting in charge. Early in the evening, while the Watch Factory band was giving a fine preliminary concert, the great arsenal began to fill with hundreds of people. They crowded the entire lower floor, and then the galleries began to fill. Soon every inch of available space was occupied and there was gathered one of the

greatest and best audiences ever assembled in the city or central Illinois. It was a vast, spontaneous outpouring of the people in tribute to the greatness of Bryan, and proving the wondrous growth in his popularity.

And this was only one of the many demonstrations of Bryan's popularity yesterday. Elsewhere in this issue of the State Register will be found the details of the arrival of Bryan in Springfield yesterday morning at 10 o'clock from Jacksonville, of the reception at the St. Nicholas hotel, of the meeting of the Illinois democratic editorial association and of the formation of the State Federation of Bryan clubs of Illinois. At these several events there was that same spontaneity of endorsement of Bryan. Politicians, editors and statesmen gathered here yesterday from all parts of the state incident to the meeting of editors and the formation of clubs, and from all parts of Illinois came the same information that Bryan is gaining strength everywhere, while the people are recognizing the failure of the republican party to defend their rights.