

a penalty for the violation of this provision of the law. If ten per cent of the capital and surplus is as much as a bank ought to loan, then no bank should be permitted to loan more than that. If the limit is too low, the limit should be raised. But whatever percentage is fixed as the proper one, let the law be enforced by a criminal penalty. If the law is only directory the bank can violate it with impunity for the comptroller can punish the violation of it without suspending the bank and thus throw the burden upon the community and upon innocent stockholders. The penalty ought to fall upon the officers and directors who violate the law, and a law fixing such a penalty would be a protection to officials as well as to the bank because they could use the law as a reason for not yielding to the pressure that is often brought to bear upon them. Just as the law against rebates is a protection to the railroads from the big shippers who attempt to extort reductions, so a law against over-loaning would be a protection to bank officials. If a borrower attempted to urge a larger loan than the law required, it would be a sufficient answer for the official to remark, "I will not incur criminal liability to accommodate anybody."

It will be easier to get better regulation when the banks have to participate in a loss brought about by the mismanagement of another bank. The depositors need another law for their protection, namely, a law that will prohibit gambling on the part of bank officials. No man who handles the money of another ought to be permitted to subject himself to the temptation of gambling. You may not agree with me in the opinion that gambling is the most demoralizing of the vices, but you can not doubt that it has led to the ruin of many banks and to the suicide of many bank officials. When people engage in a business which involves the handling of other people's money, we are justified in imposing restrictions upon them which are not necessary for other individuals, and one of the restrictions that ought to be imposed upon the banker is that he shall not be permitted to gamble on the market.

But to return to the complete security which is furnished by a guaranty system. Oklahoma has adopted a plan under which all the banks are required to stand back of each bank, and thus every depositor is given complete protection. Under the Oklahoma plan a tax of one per cent is collected on deposits and the banking board is authorized to collect assessments from time to time to keep this guaranty fund up to the maximum. The one per cent was more than was really necessary; a half or a quarter of one per cent would be enough for the power to assess gives a sufficient protection. After one month's trial in Oklahoma, it was found that this system had increased the deposits in the secured banks a million, one hundred thousand dollars while during the same time the deposits in the unsecured banks had fallen off a half a million. This was proof that the depositors in the unsecured banks were not sufficiently protected, but it was also a proof of a further fact, namely, that the secured banks drew more money from hoarding and hiding, or from outside the state, than they drew from the unsecured banks. This morning's paper reported the first failure that has taken place under this Oklahoma system. And what was the result? Within less than an hour the examiner in charge of the bank secured authority to pay the depositors in full, and thus the business of the community was undisturbed. The depositors were protected and the community was protected, while the officials responsible for the failure will be prosecuted under the law. What objection is raised to this system? It can not be that the tax is too heavy because the amount turned to the banks by the greater security given will more than reimburse the banks for the expense of the system.

The main argument made is that the big bank will be deprived of its advantage over the little bank. If this were true we might ask whether society can afford to safeguard this prestige at so large a cost. But as a matter of fact, the big bank will still have a considerable advantage over the little one. As loans must be in proportion to the capital and surplus, a bank with a capital and surplus of a million can loan ten times as much to one person as can be loaned by a bank with a capital and surplus of only one hundred thousand. Thus the big bank is able to draw the deposits of the big business men. Then these big business men have their business acquaintances who naturally follow them to the big bank. But there is another advantage. There is a certain amount of vanity that must be taken into account. A de-

positor likes to have business dealings with the biggest bank in the town; he likes to be acquainted with the most prominent financiers—he enjoys having them address him familiarly or take him out to lunch. Then there is a still more substantial advantage in that the depositor can refer to the big bank when his financial standing is asked. The big banker by his very prestige becomes the adviser of more people in business transactions and the adviser in larger transactions. All these things tend to protect the big bank in its prestige. It can not in good conscience demand that all depositors shall be made insecure and all communities be subjected to embarrassment merely that it may have an advantage over the smaller bank.

Then, too, the big bank is as liable to be embarrassed by a run as a little bank and the guaranty of depositors protects all banks from runs. Nobody cares to demand his money when he knows that his money is safe, and this protection from runs would in itself justify banks, big and little, in supporting the measure.

But if this appeal to the sense of justice is not sufficient, allow me to add another argument. Unless something is done to protect depositors, the government savings bank will be established. I have been pointing this out for years and been illustrating it by what has been done in other lines of business. The people did not want to extend the spread of governmental activity. In our cities the people would rather have the franchises operated by individuals if these individuals would deal honestly with the public, but experiences show that the holders of franchises have watered stock and extorted from the public, and then when regulation has been attempted, they have corrupted politics. The people have in desperation and as a matter of self-defense been driven to municipal ownership. And so the people desire to have the banking done by the bankers, but the people demand security, and the failure of the banks to permit this security has caused a rapid growth in sentiment in favor of the postal savings bank. A great many people are now buying money orders payable to themselves rather than deposit their money in banks. They not only get no interest, but they have to pay for the money orders, and yet they incur the expense rather than risk the loss of their savings. The postmaster general, in recommending the postal savings bank says that many millions of dollars are sent abroad every year to be deposited in the government banks of Europe. Why? Because those who send money abroad would rather risk the government banks of other countries than private banks in this country. Mr. Wanamaker was quoted as saying that a large amount of money was hidden under carpets in this country. If I were a banker I would be ashamed to be in competition with a carpet as a safety deposit vault in times of panic.

I believe that the timidity of depositors is largely unreasonable. Our banks are, I believe, as a rule good. Conditions are not what they were in 1893. Then we had had an era of falling prices and many of the notes held by the banks were worthless because the holders had become insolvent, but up to the time of the panic of last fall, prices had been rising, crops had been good, laborers had been employed, and there was no reason to suspect the solvency of our banks. But it is not sufficient to provide a reasonable security, the security ought to be absolute so that no one would distrust the banks.

Some of you have called me a socialist, and possibly some of you have called me an anarchist, although the two terms are opposite in meaning. But I am not a socialist, I am an individualist. I prefer to have the individual act where he can do so to the advantage of society. I favor governmental action only when governmental action is necessary for the protection of the public. I would rather have the banking business done by the bankers if they will do it in such a way that the depositor is protected, but if I must choose between the twenty thousand banks and the fifteen million bank depositors, I am on the side of the depositors. I am in favor of the postal savings bank if we can not have the guaranteed bank, and remember when we get the postal saving bank, it will not be limited, as now proposed, to five hundred dollars for each family. That limit will not last more than one congress, for the people will demand that its benefits be enlarged and from a saving bank it will become a checking bank, for whatever the people need in this country, the people will have. Is it not better to have the banks provide, as they can easily do, for the security of depositors and thus retain all of the banking business? If we establish a national plan for the guaranty of deposits in

national banks, such a system would discriminate between state banks unless state banks were permitted to avail themselves of it. Therefore, I am in favor of admitting state banks to the benefits of a national system until state systems are adopted, and so I am in favor of admitting national banks to the benefits of state systems until the national system is adopted. But we ought to have some system in both state and nation for the protection of depositors.

But I am not willing to allow this occasion to pass without presenting a broader argument. I have presented the subject from the standpoint of the depositors, and I believe their cause is just. I have shown you why the bankers should be willing to have the system adopted and I have pointed out that their own selfish interests will compel them to consent to this guaranty. But I am not willing to discuss any question entirely from the standpoint of a class. Our society is not stratified as the society of Europe is. You who are engaged in the banking business in this great city have many of you come from the farms. It is our boast in this country that the door of opportunity is open to every child, and it should remain open. I am glad that we are not divided into permanent classes; glad that we have no law of entail by which a degenerate son must rattle around in an estate left by an ancestor; glad that we are not compelled to protect our descendants from changing conditions. In New York I believe they have a society which you can not join unless you can show at least three generations between yourself and any honest work. In this city I suppose it is not necessary to show more than two generations to get into the most exclusive set. We ought to recognize that we are one in our real interest and that the only safe plan is to make our laws such that the whole of society will be protected. We are thus linked together in sympathy and compelled to consider questions upon their merits rather than from the standpoint of a temporary selfish interest. We are all one in destiny. The farmer, the laborer, the merchant, the banker, these have a common light when we take a far-sighted view of our own interests. And I appeal to you to decide this question by considering the fundamental principles of justice involved. Let us consider banking as one of the departments of the nation's activity entitled to consideration, and yet entitled to no more consideration than is to be given to the departments. Let us make our laws; Thos. McCormay have a forward commensurate with his contribution to the welfare of society and thus each will be stimulated to the largest possible effort.



#### A WORD AS TO COWARDS Aiba

Ex-Congressman Littlefield <sup>and L. Thompson</sup> <sup>rout, Nashville,</sup> quoted as saying that "cowards are the most cowardly set on earth, and that they are afraid to act in any manner which could prejudice their re-election." He admits (but there is a seeming reluctance in it) that "the people should control the government," though he adds, "but because of this cowardice of legislators I doubt if direct election of senators would improve conditions. The senators would then be in a like position to members of the lower body."

The dispatch concludes: "Mr. Littlefield deprecated the branding of all rich men as malefactors and said he believed the amassing of great wealth is of considerable benefit to the country if rightly administered." It was not necessary for Mr. Littlefield to say this in order to disclose his point of view. No one brands "all rich men as malefactors" and those who begin their defense of predatory wealth with the assumption that all rich men are attacked are either deceived themselves or are trying to deceive others.

But what about Mr. Littlefield's attack on congressmen? Are they all cowards because they are afraid to act contrary to the wishes of their constituents? And are senators brave because they defy the wishes of their constituents?

Senators who defy their constituents do so not from a high sense of duty but because they are servile representatives of great corporations that hide in the darkness and control the government through the official whom they raise to power.

Mr. Littlefield was not always thus. When he went to congress he was something of a reformer himself. He introduced an anti-trust bill—it was said to be an administration measure. It passed the house by an almost unanimous vote but it died in the senate. The "brave" senators killed it, after the "cowardly"