sponsible for each other's deposits they will be sufficiently interested in each other to favor better regulation and greater restrictions.

What has Mr. Taft done to protect depositors from recklessness and speculation? While he refuses to protect depositors, he praises the Aldrich-Vreeland law, which invites speculation and stock jobbing. In declaring that the system proposed by the democrats "would remove all safeguards against recklessness in banking," Mr. Taft betrays an ignorance of the subject, for the plan does not propose the removal of any safeguards. In fact, it contemplates stricter regulations of the banks, and Oklahoma has already made the banking regulations stricter.

He declares that "the only benefit would accrue to the speculator, who would be delighted to enter the banking business when it was certain that he could enjoy any profit that would accrue, while the risk would have to be assumed by his honest and hard-working fellow." The present banking law requires that a certain amount of capital shall be invested in the business, and that law would still stand. To enter the banking business, therefore, a man would either have to have the capital himself or secure the confidence of men who had the capital. And this capital, together with the 100 per cent liability, would be a guaranty that the stockholders would not intentionally select careless officials. Why would a "speculator" be "delighted to enter the banking business" under the guaranty system? He is not relieved from pecuniary obligation, nor is he relieved from criminal liability. He would have nothing to gain by carelessness, nor would the stockholders have anything to gain by indifference.

The chief cause of bank failures is the making of excessive loans to directors or officials of the bank. This is the fruitful cause of disaster and it has been impossible to secure legislation protecting banks from their own officials and directors. Why? Because there has been no mutual responsibility. When all banks become liable for the deposits of each, the stockholders will insist upon the enactment of a law making it a criminal offense for a bank official to loan more than the prescribed amount to one individual. At present we have a law prohibiting the loaning of more than one-tenth of the capital and surplus to one person or corporation, but the law is only directory. Of course, the comptroller can suspend a bank if it violates the law, but the law is not enforced, because the enforcement of such a law would throw the punishment upon innocent stockholders and upon the community, since the suspension of a bank inflicts a great loss upon stockholders and disturbs the business of the city or town in which the bank is located.

The law should make it a criminal offense to loan more than the prescribed amount to one person and we would probably be able to secure the passage of a law prohibiting market speculation by bank officials.

The Oklahoma plan is better. A bank recently failed in Oklahoma; within forty-eight minutes after the notice of suspension, the officer in charge had authority to pay all depositors, and then the banking board proceeded to collect the assets of the bank and to prosecute the officials criminally. When the business was closed up, the stockholders passed a resolution thanking the state board for its prompt action, the action [illegible] being a protection to the stockholders, as well as to the depositors and to the public generally.

Compare this failure under the guaranty system with a failure where there is no guaranty. In Oklahoma the bank commissioner telephoned the farmers to come in and get their money, and the answer, was, "I am busy today with my crop; I will be in in a day or two."

In Cleveland, Ohio, a bank failed about the same time, and the papers announced, "Twelve hundred infuriated Italians stormed the closed doors of the busted banking house of Costan Liopea on Orange street today. The police drove the crowd back."

An objection is sometimes made to the guaranty law that a "new bank would start up across the street," and, being able to promise its depositors absolute security through the guaranty law, could draw the deposits away from conservatively managed banks, by offering a higher rate of interest than the latter could pay. This objection is urged as if it were an unanswerable one. But let us see how easily it can be met. Since the law makes all of the banks liable for the obligations of each bank, the law should prohibit any abuse of this security by any bank, and in Oklahoma the banking board has already fixed the rate of interest that can be paid to depositors. According to the rules of the banking board, no bank is permitted to pay more than three per cent on short-time deposits or more than four per cent on time deposits running for six months or more.

It has also been urged as an objection that under the guaranty system a big bank would have no advantage over a little bank. Even if this argument were sound, it could not weigh against the advantages of the system, for banks are made for the people, not the people for the banks. While there are advantages in having big banks, the advantages are not sufficient to justify the jeopardizing of the depositor or of the business interests of a community.

But, as a matter of fact, the big bank would still have several advantages over the smaller one. In the first place, it could make larger loans than the small bank. For instance a bank with $1,000,000 capital and surplus could, as at present, loan $100,000 to one person, while a bank with $100,000 capital and surplus could only loan $10,000 to one person. This advantage would in itself draw to the large bank the large deposits and the men doing business upon a large scale, for deposits follow accommodations.

Then, too, there is a certain business advantage in depositing with a big bank. It is worth something to be able to refer to a big bank when one's financial standing is being investigated, and worth still more to have the advice of a man of large business experience when business enterprises are being considered.

Besides these there is a social advantage in being on good terms with the men who are prominent in the banking world. Surely the big bank's prestige will be worth enough to it under the guaranty system; it should not begrudge the smaller banks the advantage which the guaranty of deposits will bring to them.

I cannot pass from this subject without referring to the fact that the big bank needs the guaranty as well as the little one, for big banks fail as well as small banks, and the bigger the bank the greater the calamity to the community when it fails. No bank is so big as to be absolutely beyond danger, and a community needs protection against the big banks' failure even more than against the failure of the small banks.

It has sometimes been objected that the guaranty system would bring into the banking business a lower class of men and reduce the average in character. On the contrary, the guaranty of deposits, I submit, would, if it made any difference in this respect, bring into the banking business a better class of men and raise, if that is possible, the average of character. It is not to a man's discredit that he is not willing that one of his fellow men should lose money on his account. Is it not a mark of character that a man should be careful of his good name and considerate of the esteem of his fellows? At present a successful farmer or business man may be induced to take stock in a bank. It may be that his name is desired to give standing and credit to the bank, but such a man is constantly haunted by the fear that a bank official may be guilty of criminal conduct which will bring the bank into insolvency. It is even possible that the bank's assets may be entirely dissipated, and that the honest citizen, who has become a stockholder, may either be compelled to go beyond his legal liability or meet the bitter criticism of the depositors who have suffered by the failure. Would it not be worth something to the stockholder, in peace of mind, to know that the maximum of his loss would be the value of his stock and the 100 per cent liability, and that no depositor could lose anything? I am convinced that the guaranty of deposits would not lead to degeneration in the personnel of the bankers.

To justify a law guaranteeing depositors, it is not necessary to show that the advantage to the bankers would amount to more than the tax. The examination of the banks would continue to be made at the expense of the banks, even if it were certain that the examination was of no pecuniary advantage to the banks. The law would continue to require a certain amount of reserve to be kept on hand, even if it were certain that such a law brought no pecuniary gain to the bank; and so the banks ought to be compelled to insure their depositors against loss, even if it could not be shown that such insurance would bring a compensating advantage to the bank. The bank charter has a value; if it were not valuable the bank would not be organized. The bank charter is a gift from the people through the law, and the people who authorize the establishment of a bank have a right to demand, in return, that the bank shall keep the pledge which it gives when it invites deposits, and make good its promises of security to those who deal with it.

But as a matter of fact, the banks will, as a rule, gain more from the law than they will lose by the tax imposed by the law. The experience of the Oklahoma banks shows this. The interest collected upon the increased deposits will far more than pay the losses occasioned by insolvency. But two banks have failed and the assets have in both cases been sufficient to reimburse the fund.

Then, too, the banks must remember that the question is not merely whether depositors shall be made secure, but whether the security shall be given by the banks themselves or by the government through a postal savings bank.

The refusal of the banks to permit the passage of a law granting security to depositors is responsible for the growth of the sentiment in favor of the government savings bank, and the sentiment will continue to grow unless something is done to satisfy the demands of the people upon this subject.

The republican party proposes the establishment of a postal savings bank system; the democratic party prefers the guaranteed bank because it is better for the depositor and better for the banker—it gives the depositor the security which he needs and yet leaves the banking business in the hands of the banks. But the democratic platform declares for "a postal savings bank if the guaranteed bank cannot be secured," and in November more than ninety per cent of the voters will, by their ballots, demand either the guaranteed bank or the postal savings bank. Can the financiers prevent the carrying out of this demand?

The republican platform does not go into detail, but it is fair to assume that the postal savings bank plank is intended as an indorsement of the postal savings bank system proposed by the president and postmaster general. Under this plan the federal government would invite the deposit of savings, a limit being placed upon the amount that each person or each family could deposit. According to this plan, the business man would not be protected, for he uses a checking account instead of a savings account; but no one can doubt that the successful operation of a government savings bank would ultimately lead to an extension of the plan until the government bank would include the ordinary checking account and be open to deposits without limit. It would mean a long contest between the depositors and the bankers, but a contest which must in the end be decided on the side of the depositors. The banker must decide, therefore, whether he will favor a postal savings bank which, in the absence of the guaranty bank, will grow until it absorbs the banking business, or preserve the present system of banking by giving to the people, through a guaranty law, the protection which they must otherwise find in a government bank.

The democratic plan, therefore, contemplates a less radical change than the republican plan. In his notification speech Mr. Taft charged the democrats with being socialistic in some of their remedies. The charge was not well founded, but I might reply by charging him with advocating an unnecessary extension of the government's sphere of activity in the establishment of the postal savings bank, when the guaranteed bank would answer the same purpose without any considerable increase in the number of government employes. I would rather see the banks attend to the banking business than to have it transferred to the government, and because I prefer to have the banking business done by the banks rather than by the government, I urge the guaranty of deposits as the easiest solution of our difficulties.

There are only 20,000 banks, while there are 15,000,000 depositors, and I do not hesitate to declare that in a conflict between the two the depositors have a prior claim to consideration. If we estimate the average number of stockholders of each bank at seventy-five—and that is a liberal estimate—the total number of stockholders would only be a million and a half, or one-tenth as many as there are depositors. The stockholder is not compelled to buy stock, while the depositor is compelled to use the banks, both for his own sake and for the sake of the community, for only by using the banks can he keep his money a part of the circulating medium. The guaranty law, therefore, brings the greatest good to the greatest number, as well as to those who have the greater equity upon their side.

There is another reason why the claim of the depositor is superior to the claim of the stockholder. The stockholder has a voice in the selec-