

ment from and imposes no hardship upon the larger bank?

If the big bank fears that such a guarantee law will draw away its depositors from the large bank to the smaller bank, the big bank can readily obtain a similar guarantee by paying precisely the same tax rate that the smaller bank gladly pays.

**Arguments Favoring Proposed Guarantee Law**  
The main advantage of the bill for the guarantee of bank deposits may be briefly summarized as follows:

**FIRST. SUCH AN ABSOLUTE GUARANTEE BY THE GOVERNMENT WOULD BRING FROM ITS HIDING PLACES MANY MILLIONS OF DOLLARS OF HOARDED MONEY IN ALL PARTS OF THE COUNTRY, SOME OF WHICH IS BEING KEPT IN STOCKINGS AND CUPBOARDS AND SOME IN SAFE DEPOSIT VAULTS.**

There are thousands of people throughout the country who hold on to their savings and hide them in their homes because they are afraid to trust ANY bank. Of course, upon such money they get NO INTEREST — that money is simply idle and wholly unproductive. If the government should give its guarantee, this money will come out of its hiding places and again become active in the currents of trade, where it is especially needed in these times of war. These owners will realize that, when GUARANTEED BY THE GOVERNMENT, it is safer than it could possibly be however carefully it may be stored away in their homes. In the second place, it will YIELD them 3 per cent interest instead of nothing, and will be helpful to others to whom the bank will then be able to lend it.

**IT IS INCONTROVERTIBLE THAT—**

1. Such a law would bring large sums of hoarded money back into circulation.

**BECAUSE—**

1. Such funds are FAR SAFER in banks guaranteed by the government than in any hiding place.

2. In bank the owner can get 3 per cent per annum interest; if hid away, he gets nothing.

**SECOND. THE PASSAGE OF SUCH A LAW WOULD GIVE AN ABSOLUTE GUARANTEE TO 15,902,194 DEPOSITORS IN NATIONAL BANKS, THIS BEING THE NUMBER OF DEPOSIT ACCOUNTS ON MARCH 4, 1918, OF \$5,000 OR LESS.**

That means that this law, if availed of, would give a sense of complete protection and comfort to nearly SIXTEEN MILLION depositors or owners of deposit accounts, scattered throughout our 48 states and the District of Columbia.

The records show that those whose bank balances amounted to more than \$5,000 each, and whose accounts would not be guaranteed, numbered only..... 353,139

The money to the credit of the 15,902,194 depositors was... \$4,521,027,000

While the large balances to the credit of the 353,139 large depositors aggregated about... \$,000,000,000

**THIRD. THE PASSAGE OF SUCH A LAW SHOULD PRACTICALLY PREVENT, IN THE FUTURE, RUNS ON ALL NATIONAL BANKS WHICH MAY ENJOY THE PROTECTION OF SUCH A GUARANTEE, WITH THE MANY DANGERS AND DISTURBANCES ATTENDANT UPON SUCH RUNS AND THE FAILURES WHICH SO OFTEN FOLLOW THEM.**

Had such a law been in operation in times past, some of the panics and commercial crises which have disturbed and wrecked the country and which were precipitated by runs on banks could have been averted.

**FOURTH. THE GUARANTEE OF BANK DEPOSITS WOULD GIVE PEACE OF MIND, CONFORT, AND CONFIDENCE TO THE POOR MAN AND THE POOR WOMAN WHO MAY HAVE ACCUMULATED THEIR SAVINGS OF A LIFETIME IN THE SAVINGS DEPARTMENTS OF THESE BANKS.**

The mental worry and anxiety which thousands of heads of families have endured, especially in times of illness for fear of what might become of their families if they should be taken away, and if at the same time the bank in which their lifetime savings have been deposited should fail, would be completely relieved as far as the safety of their savings is concerned. This anxiety and care and worry which depositors have been unable to cast aside, even when banks are in good condition, is multiplied a hundredfold when



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the bank fails and closes its doors, as has happened with national banks 451 times since 1890, and when the depositors realize that their savings of all their earlier years are lost, or else that it may be months or years before they recover their money. Depositors sometimes have to wait through long years of misery and privation before they get back their deposits. There is one bank still in progress of liquidation which failed over 27 years ago, whose affairs were so hopelessly tangled that it has not yet paid its final dividend to depositors, and there are doubtless many depositors who have died while waiting to get their money — their deaths probably hastened by the tying up of their lifetime savings. Such harassment and distress not only impair the efficiency of the depositors as workmen in such times, but have often driven both men and women to desperation and suicide.

**FIFTH. IT IS PROBABLE THAT NOTHING WHICH HAS THUS FAR BEEN SUGGESTED WOULD CONTRIBUTE MORE TO THE UNIFICATION AND SOLIDARITY OF OUR ENTIRE BANKING SYSTEM THAN THE ENACTMENT OF SUCH A LAW AS THIS. IT IS BELIEVED THAT IT WOULD HAVE A PARAMOUNT AND DETERMINING INFLUENCE WITH THE STATE BANKS IN INDUCING THEM TO NATIONALIZE TO GET THE BENEFIT OF THE GOVERNMENT GUARANTEE OF BANK DEPOSITS.**

The desirability of the unification, as far as possible, of the banking system of the country is, I believe, generally admitted by the thinkers and leading men of both political parties — especially in these times of war where the closest co-operation and co-ordination on the part of all financial interests is recognized to be of such preeminent importance.

The records show that the national banks of the country, for several years past, have outstripped the state institutions in the rate of growth; while at the same time they had made a more creditable exhibit in the matter of losses. Such a guarantee measure may be confidently expected to have an immediate and potent effect in bringing state banks more rapidly into the national system and in strengthening and solidifying our whole financial structure.

**SIXTH. THERE IS NO FORCE IN THE SUGGESTION WHICH HAS BEEN URGED THAT THE GUARANTEE OF THEIR DEPOSITS BY THE GOVERNMENT WOULD HAVE THE EFFECT OF MAKING NATIONAL BANK OFFICERS LOOSE, LAX, AND CARELESS IN THEIR METHODS AND MANAGEMENT.**

The supervision by the government would, if there is any change, be even more thorough and effective. It would be idle and unreasonable to suggest that, because the money of DEPOSITORS is fully protected, the directors of a bank, who are always necessarily STOCKHOLDERS, would be less vigilant, less careful to protect their own personal interest — particularly their capital placed in the stock of the bank. The management of the banks would therefore still have this vast stock investment of OVER TWO BILLION DOLLARS to protect; and furthermore, they face the danger of the 100 per cent

assessment on the stock of any bank if the bank should be so indifferently or loosely managed as to bring insolvency.

A guarantee of DEPOSITS carries no guarantee of STOCK; and the officers of national banks would not be tempted more readily than now to make bad loans or to adopt loose methods when they know that their losses must fall exclusively upon themselves and upon their fellow-stockholders and on the government, even though the government should protect the general depositors.

**SEVENTH. UNDER SUCH A PLAN AS IS PROPOSED, ALL BANKS WILL EARNESTLY STRIVE TO INSPIRE PUBLIC CONFIDENCE AND MAINTAIN A GOOD REPUTATION, NOT ONLY FOR THE SAKE OF PROTECTING THEIR STOCK INVESTMENTS BUT ALSO FOR THE SAKE OF DRAWING TO THE BANK THE LARGER DEPOSITORS — THOSE WHOSE DEPOSIT ACCOUNTS AMOUNT TO MORE THAN \$5,000.**

The large depositors will naturally exercise special discrimination in placing their funds, and will endeavor to select for such deposits, which may not have the government guarantee, those banks which have the best reputation for honesty, fidelity, and intelligence in management.

The suggestion that the benefits of the guaranty law will apply mainly or entirely to the smaller banks and their depositors rather than the depositors of the larger banks is not borne out by the facts of the case.

The records of this office for the past 36 years show that the total deposits of the smaller banks — or, say banks with less than \$200,000 capital — which failed in this period amounted to \$60,788,000, representing the amount of money which was tied up from time to time during this period in these banks, a portion of which was lost. In the same time, the amount of deposits tied up in banks with capital of \$200,000 or more amounted to \$133,572,000; and of this sum over \$68,000,000 was tied up in the largest banks — those with capital of \$500,000 and over.

The aggregate amount of deposits of national banks which were tied up by bank failures from 1912 to 1917 was about \$30,000,000 — exclusive of deposits aggregating approximately \$50,000,000 more in banks which suspended temporarily, but were subsequently restored to solvency, in the same five-year period.

The tying up of \$194,000,000 of deposits in failed banks over this period may not seem large as compared to the total deposits of all banks; but it is of high importance when we consider the untold misery which these failures brought to tens of thousands of helpless men and women who, under the provisions of such a bill as is now proposed, could have been spared, and hereafter ought to be spared, such loss and suffering.

It is believed, and with much reason, that if this bill should become a law, leaving it discretionary with national banks as to whether they accept its provisions or not, the vast majority of these banks will come in promptly, and that they will be followed rapidly by those state banks that are eligible for nationalization.

JOHN SKELTON WILLIAMS,  
Comptroller.