

VIEWS OF AN EXPERT.

Shall Banks Be Made Liable for One Another's Debts?

Recognized Authority on Financial Questions Discusses Practical Bearings of Proposed Guarantee Plan.

(By George E. Roberts, former Director of the Mint.)

The proposal to require the banks of the country to guarantee each other's deposits owes its present strength to the financial disturbance of last fall. It is urged as a means of preventing panics, and there is no disagreement about the desirability of accomplishing that purpose. Most of us agree that a repetition of the conditions which existed last fall should be made impossible, but this is by no means the only way to do it, or the best way.

For years the advocates of comprehensive currency reform have pointed out that with \$14,000,000,000 of bank deposits in the country and only about \$3,000,000,000 of money all told in the country, both in the banks and out, there should be some method provided by which, on the basis of good assets, the supply of lawful currency could be readily increased to meet exceptional demands, whether such demands were due to seasons of unusual business activity or to alarm among depositors. Their foresight and arguments did not avail, but they are hardly to be swept off their feet now by impatient zeal for this new, and, as they regard it, ill-considered scheme. They stand for a complete and scientific treatment of the subject.

The guaranty of deposits is a crude and imperfect remedy at best. It does not recognize or attempt to cure the defects in our banking and currency systems, but aims only at persuading depositors not to draw their deposits. The losses to depositors by the failure of national banks has become an insignificant percentage, and is growing less every year, as a result of natural, evolutionary progress in banking. The standards are being constantly raised, and the efficiency of official inspection and supervision constantly improved. The true line of development is not by any revolutionary policy, but by holding individual bankers to yet stricter account, and at the same time enabling every properly conducted bank to readily obtain a supply of currency to meet all demands upon it.

The fundamental weakness in our currency system is in the fact that it is not readily responsive to the needs of the country. The legitimate demand for money varies from year to year, and from season to season in the same year. It is a familiar fact that there is a great deal more business to be handled from September 1st to December 31st each year than in any other four months of the year, but there is no more money in the country unless gold is imported for the purpose.

Would Lead to Reckless Banking.

As a remedial measure the guaranty of bank deposits is not only inadequate, but it is worse than inadequate, for it proposes to overturn the principle of individual responsibility by means of which the banking business has been raised to its present high standards, and upon which all individual and social progress is based.

The proposal contemplates that the public shall be relieved entirely from the exercise of judgment and discrimination in the choice of banks, and while it is highly desirable that all banks shall be made safe, to the end that even the most ignorant and confiding may be protected, it is still true that an alert public opinion has great influence in maintaining proper banking standards. We cannot afford to do without that influence.

Under present conditions the investments, the personal habits, the general character and abilities of the banker are under the constant scrutiny of the community, and a matter of public interest. Notwithstanding occasional instances in which the public has been deceived, it may be stated as a general proposition that an unblemished character and a reputation for good business ability and conservative judgment have been necessary to success in the banking business. The public looks over the individual who is to receive, and invest and be responsible for its money with some discrimination, and the elimination of the unit by the scrutiny and composite judgment of the community is a factor of the highest value in maintaining the standards of the banking business. It is, however, a factor entirely overlooked by the advocates of this scheme.

They calculate the insignificant percentage of loss to total deposits under present conditions, and assume that no greater losses would occur after character ceased to be a factor in the business, and all deposits were given blindly to whoever would bid highest for them. To the objection that this elimination of character as a factor in the acquisition of deposits must tend to promote reckless banking, reply is made that bankers will be deterred from recklessness by fear of losing their own money. The reply misses the point. All men are not deterred from recklessness by fear of losing their own money, but reckless men are now,

as a rule, kept out of the banking business by the unwillingness of the public to entrust money to their care.

Careful Banking Best.

Under present conditions there are compensations in favor of careful and conservative banking. There are people who are not influenced in their selection of a bank by the highest rate of interest offered on deposits, and who have their suspicions aroused by the tender of exceptional inducements. They know that such offers put a strain upon the business, and they deliberately prefer to place their money with a banker who will not subject himself to such strain. These depositors esteem safety above all other considerations, and they are numerous enough to exercise a very wholesome restraint upon reckless tendencies in the business. A banker now prizes the reputation of doing a safe business, and cannot afford to have a reputation for imprudence and speculative inclinations. And yet, although held in check by these powerful considerations, the pressure of competition carries the business near the danger line even now. There is too much competition for deposits, and the ambitions of the more venturesome members of the fraternity, and the pace they set, puts the whole system under strain.

But what are likely to be the conditions in the business when the public is no longer concerned about the management of a bank, and all the rewards for conservatism and restraints upon recklessness are removed? The considerations which in the past have tended to safeguard the business and advance its standards would be gone. The public would care nothing for the personality of the banker. Instead of looking to the institution which received the deposits, the depositor would rely on an outside fund. A banker might bet all the deposits on horse races without the fact becoming a matter of any concern to his customers.

And how would the conservative, prudent banker fare under these conditions? The legitimate reward for maintaining that character would be lost to him. He would get no deposits unless he bid as high for them as his rivals, for the government would stand behind the latter, and assure the public that they were just as safe as he, and tax him to make them so. In short, the reckless and incompetent people, who are now either excluded from the banking business, or held in check by the distrust which a discriminating public feels towards them, would make the pace to which everybody else in the banking business would be obliged to conform or get out of the business.

Would Democratize Business.

The hardest competitor in any line of business is the incompetent or dishonest man who does anything to get business. Such people get into the banking business even now, but their number and influence for mischief would be greatly increased if they were backed up by unlimited credit. In other lines there may be some question as to the quality or service offered by rivals, but all bankers deal in the same kind of money, and if deposits were made a joint liability, there is no reason why they should not go to the bankers who offer the greatest inducements to attract them. The careful banker would have no off-set or protection against demoralizing competition, and he would be placed in the strange position of being liable for his competitor's obligations.

All efforts to make it appear that the interests of bankers are on one side of this question and the interests of depositors on the other are untrue to the facts. Nothing that in the long run is harmful to the banking business, that puts it under strain and tends to lower its standards, can be beneficial to depositors or the public. It cannot be advantageous to the community to have its savings and working capital pass into the hands of the venturesome class of bankers who will bid most for them. The actual waste and loss through unwise investments would inevitably increase. It would fall at first on the conservative bankers and penalize them. Instead of an elimination of the unfit, which is the true process of evolution, the tendency would be to an elimination of the best. Eventually the burden of increasing waste would have to be borne by all depositors and the whole community.

Oklahoma Trial Inconclusive.

The fact that the first bank failure in Oklahoma after the law went into effect, was followed by immediate reimbursement of the depositors, proves nothing as to the practicability of the system in the long run. The fact that the State banks of Oklahoma have gained deposits since the system went into operation, while national banks within the State have lost, if true, proves nothing as to the merits of the system. The law itself requires that all public deposits must be kept in banks that belong to the system, and this provision alone would cause a considerable transfer of deposits and influence some banks to join the system. The real test of the policy will come in its influence upon the banking business in the long run. Will it tend to secure more careful and prudent investment of the vast sums which the people of the country keep in banks, or will it tend to weaken the personal responsibility for these funds and divert them into incapable and wasteful hands? It is a superficial view which lays all emphasis upon the immediate results of the law and gives no consideration to its violation of fundamental principles and the consequences which must follow.

GOOD GOVERNMENT

Republican Record in Nebraska Entitles Party to Public Confidence.

Taxes are raised from the people and are spent by the public officials elected by the people, consequently the public officials are the business agents of the taxpayers pure and simple. The interests of the people are consequently bound up in the intelligence, honesty and efficiency of our public officials. How have the republican officials of Nebraska discharged this business trust for the people of Nebraska? One illustration will go far to show. The state debt of Nebraska, created by fusion extravagance and mismanagement largely, reached its high point in December, 1905, amounting to two and one-third million dollars at that date. Republican legislation and the careful administration of republican state officers reduced this debt to \$179,000, on August 1st, 1908, without noticeable burden to the taxpayers. That is the way the republican party discharges a business trust confided to it by the people. The record is one to be proud of.

What else has the republican party achieved for good government in Nebraska to entitle it to a continuance of public confidence?

The republican party is in power in the state now. It is giving the Nebraska people clean, progressive and forceful state government, the very best state government we ever had.

We have had progressive state legislation.

The two cent per mile passenger rate law, the railroad commission law reducing freight rates and express rates, the anti-pass law, the primary election law, the pure food law and other progressive measures, all put forward as the result of higher ideals evolved and crystallized into the sentiment and the progressive spirit that dominates the republican party in this state.

All these things have come through the republican party of Nebraska and not through the influence of Candidate Bryan or his political associates in Nebraska, for neither he nor they have helped to work out these bettered conditions. When these practical things were being done Candidate Bryan was always somewhere else talking up his candidacy at \$500 a talk.

The Nebraska people, proud of the progress of their state, in business and government, owes nothing to Candidate Bryan for any constructive assistance rendered by him.

The material conditions in the state are such as to hold the public mind in an optimistic mood and optimism is an antidote to Bryanism.

Corn is high and it's a corn state.

Wheat is high and it's a wheat state.

Cattle are high and it's a cattle state.

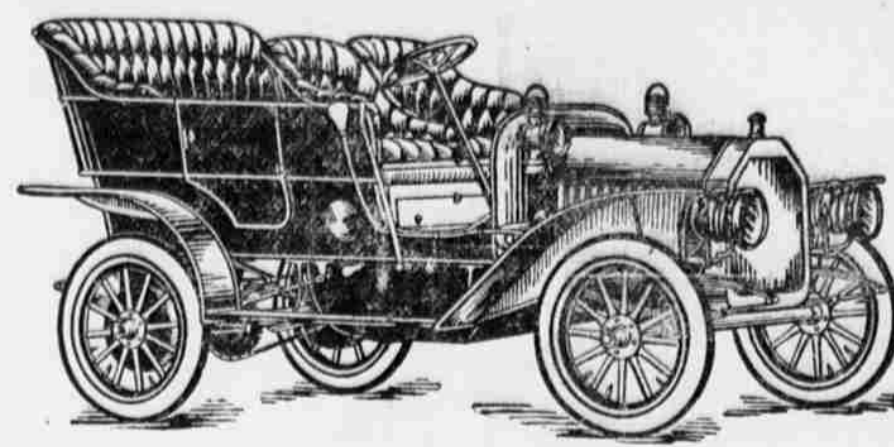
Hogs are high and it's a hog state.

Land is high, going higher every day and it's a land state, and it's a state of farmer voters.

Governor Sheldon has made an enviable record with the Nebraska people by being a courageous, level-headed, strong, manly man in the executive office. As the leader of the party in this campaign he attracts universal respect for his high character and universal confidence for his broad minded fairness as an executive. Taking all these things into consideration one can see nothing in the outlook for the coming election but the usual republican majority in Nebraska.

The Nebraska voter this year will have an opportunity to choose between promise and performance. If promises alone will satisfy him he can vote the democratic ticket with reasonable assurance that he will get promises and nothing else. If he wants performance, if he wants things done, he will have to vote for the republican candidates as that party is the only "do it now" party in this state. This is the proof: In 1897 the democratic party with fusion, controlled every department of Nebraska government and power. They had the governor and state officers, the legislature and the supreme court. The party kept no promises made prior to the election and gave the people no relief from railway domination, transportation abuses, extortionate freight, passenger or express rates. They grabbed free-passes from the railroads with both hands and left the people to paddle their own canoe. Now note the difference. In 1908 the republican party promised Nebraska a long list of reforms and put the promise in the platform. A republican legislature enacted every promise save one. Every law was approved by Governor Sheldon, republican state officers have intelligently administered every law enacted and not a pledge is left unexecuted. That's the republican way.

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BOUPELL ON BRYAN.

Is His "Shall the People Rule?" Simply "A Local Issue?"

Congressman Henry Sherman Boupell of Chicago, commenting on Mr. Bryan's speech in Iowa, says:

Mr. Bryan's question, "Shall the people rule?" implies that somewhere in this country the people do not rule. The only States where the people do not rule are the States that are expected to give overwhelming majorities for the Democratic ticket. Perhaps Mr. Bryan thinks that his question is purely "a local issue." If he is sincere, I challenge him to make a speech in Vicksburg, Miss., on "Government by the People." Let him repeat one of his famous anti-imperialist speeches, simply changing three words, substituting "Mississippi" for "Philippines" and "black brothers" for "brown brothers." Let him suggest that we have as chairman of his meeting John Sharp Williams, leader of the Democrats in Congress, and as vice-chairmen the other members of the Congressional delegation from Mississippi.

And after he has made his speech in Vicksburg, if he shall have escaped the rule of the people in that community, I dare Mr. Bryan to repeat his oration on popular government in Charleston, S. C., with Senator Tillman as chairman of his meeting. Mr. Bryan's sentiments have a purely geographical sincerity. His epigrams and startling conundrums are especially designed to meet local demands. Of this nature are all his views on tariff and taxation.

Mr. Bryan's proposition that every time a trust is formed a tariff schedule should be repealed, and every time a trust is dissolved a new duty should be added, is too funny even for comic opera.

If on March 4 next Mr. Bryan should become President, with a Democratic Congress in both houses, and should actually place upon the statute books the financial and economic vagaries delivered by him in his speech of last Friday, it would plunge the nation into bankruptcy and bring on industrial chaos. If he should begin by repealing the duty on sugar to punish the sugar trust, he would upset the national finances by losing \$30,000,000 a year in revenues, and would stir up a revolution in Louisiana, Utah, Colorado and Michigan. Then, if he should repeal the duty on cotton goods, because some hustling manufacturers of New England or the Carolinas were dumping goods in China in rivalry with England and Germany, he would divert other millions from the treasury and invite still further industrial ruin.

But, of course, Mr. Bryan would do none of these things, any more than he will invade the solid South and summon the cohorts of Democracy to the defence of the Constitution with the battle cry "Shall the People Rule?" Mr. Bryan simply does not mean what he says. What he utters with Chaddanlan unctious in the North he repudiates with Pecksniffian duplicity in the South.

Business Men Honest.

The business men of our community as a whole are honest and their methods are sound. The President has never said otherwise. Indeed, it is chiefly in the interest of the great body of honest business men that he has made his fight for lawful business methods.—Hon. Wm. H. Taft, to Merchants and Manufacturers' Association, Boston, Mass.

Gratitude to McKinley.

The highest claim of William McKinley for the gratitude of his countrymen is that, in spite of the abuse and contumely that was heaped upon his head for this policy, he placed our country in the forefront of nations as a civilizer and uplifter of unfortunate peoples.—Hon. Wm. H. Taft, at Cleveland, Ohio.

I believe our strong party with its great principles is only in its infancy. Our glory as a nation has but just begun. There are mighty problems yet to be solved, grave questions to be answered, complex issues to be wrought out, but I believe we can trust the Grand Old Party and its leaders to care for the entire future of our Nation and of our people as it has cared for them so well in the past.—Hon. James G. Sherman.

Artistic Tailors.

Did you ever stop to think that no two men are alike in form, and that in order to get a perfect fitting suit of clothes you should go to a good tailor where a good fit is guaranteed. When your measure is sent out of town your suit is factory made, no better than a ready made suit to you, and you take it fit or no fit. But when we make your suit it has to fit and suit you in every respect.

Fall Suits and Overcoats

We have a large stock of goods for you to pick from. Then, to, did you know that if a suit is made right, made to fit your form it will last three times as long as a hand-me-down suit or overcoat. We make no other kind. Come and see us.

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