

EDUCATIONAL SERIES

Guaranteed Bank Deposits in Oklahoma

St. Louis, Mo., October 18, 1909.—Editor The Commoner: There is an impression abroad that the recent Oklahoma bank failure demonstrated the weakness of the guaranteed bank deposits law. My conviction is the reverse. Can't you give us a series of articles showing its beneficial effect?

R. B. HAUGHTON.

Governor Haskell's letter on this very subject to the editor of the Wall Street Journal will answer Mr. Haughton's question:

Guthrie, Okla., October 11, 1909.—Editor Wall Street Journal, New York City, N. Y.—Sir: In your issue of October 1, referring to the closing of the Columbia Bank and Trust Company of Oklahoma City by our state board, I extract the following:

"The bank is confronted with the necessity of paying its depositors in full, irrespective of the indebtedness of the depositors to the bank, and to do so it is necessary to call upon the other banks of Oklahoma, who do not show that alacrity in paying up that Governor Haskell would doubtless like."

The above statement is false. Depositors are paid only the balance of their account after deducting their indebtedness to the bank, which is the same as a solvent operating bank would do. The state bankers pay assessments promptly on sight draft.

Again you say:

"It has been said in these columns before that the guaranty of bank deposits is either a premium on bad banking or a humbug. In Oklahoma it is a premium on bad banking. The suspended institution actually had on deposit one-sixth of the guaranty fund," etc.

Oklahoma has over six hundred state banks. Our present banking law was passed two years ago next December, during which time we had a small bank failure in May, 1908. The creditors were all paid within forty-eight hours. The draft on the guaranty fund was replaced within five weeks, and within seven weeks the stockholders had fifty-five cents on the dollar on their stock, and thus that incident was closed.

The closing of the Columbia Bank and Trust Company took place on September 29 this year. Immediate payment was begun, and every claim presented and sworn to was paid in the order in which it has been presented during the ten banking days that have ensued, and the Columbia Bank and Trust Company, under charge of the state banking board and commissioner, has been open regular banking hours or longer every day, and will so continue to the end. That gives you two bank failures in twenty-two months.

Now kindly advise me on what theory you claim that the Oklahoma banking law is a humbug, and promotes bad banking? Have you got any record anywhere else where out of over six hundred banks you have less than one failure per year? If you are analyzing banking for the purpose of finding reckless bankers or humbugs, I beg that you will begin by explaining the Walsh failure in Chicago and the Bigelow failure and dozens of others within the shadow of your own printing office, where a bank failure means a riot on the street, a locking up of patrons' funds, a depression of business, and wide-spread disaster throughout the entire sphere of influence of your failed institution.

The examples to which I might refer under your present national banking law (which is a relic of barbarism, grown stale with age, and proven inefficient by a hundred examples), is certainly not a model that you would recommend to the state of Oklahoma or any other state or nation.

Your reference to a portion of the guaranty fund being on deposit in this bank was either purposely or ignorantly unfair, and ignorance of the facts does not excuse an editor who takes the freedom of discussing a question of fact. You should have told your readers the truth, that what guaranty fund there was on deposit in this bank, in compliance with our law, had its legal protection which enabled us to convert it into cash in six hours.

Again you say:

"A bank which needs a guaranty has no title to be in business at all."

This is unworthy of space for answer, further

than to ask your readers to reflect on the miserable failures that have occurred under the national law you have attempted to sustain.

Again you state:

"A dishonest director, exercising the necessary power on the finance committee, could discount his worthless note of hand, maturing a year ahead, with his bank, credit his deposit account with the amount, suspend the bank and receive in full the amount of his fictitious deposit from the other banks."

Now, Mr. Editor, under separate cover I am sending you a copy of the Oklahoma bank law. No such condition could be accomplished under our law. You have simply been reading the national banking law and have gotten our state law mixed in your mind by comparison.

Of course, men can rob a guaranteed bank just as they can rob any other class of property, but under the Oklahoma law they have to do it on very short notice to even get started away with the goods.

Your general statement that the Oklahoma law encourages weak banking, I would ask you to advise yourself. There are a class of people, among whom there may be some editors, who form the habit of speaking first and thinking afterwards. This is a bad practice. You should quit it. You will discredit your newspaper.

There has never been a quarterly report since the Oklahoma law was passed that does not show conclusively that the state banks of Oklahoma are stronger than any other class of banks in the state. I do not mean to say that the other class of banks are not sufficiently strong, but I do mean to say that the Oklahoma state banks are exceptionally strong.

In your issue of October 7, you have the following:

"Both the governor and the bank commissioner of Oklahoma, who are disobeying a restraining order of the United States court sitting at Guthrie, in regard to paying depositors of the failed Columbia bank, may in the end acquire a very wholesome respect for the federal court. Disobeying an order of the United States court is dangerous."

You have obviously copied this paragraph from the petition filed in the United States court and the motion for citation in the case referred to. There is no other source from which you could have acquired any such statement of fact. In the first place the attorneys who brought the suit are the same attorneys who have the case pending in the United States supreme court, appealed from our state court to destroy the state banking law. They secured a client, non-resident of our state, with a twenty-five thousand dollar certificate of deposit on the Columbia Bank and Trust Company. Protest against the payment of this certificate had been filed with me. We asked the holder to verify the genuineness of his claim under oath. His counsel did not see fit to do this, but proceeded to Guthrie and instituted their case—not for the purpose of getting their money, but for the purpose of discrediting the law, a sentiment which imagination might attribute to you, but which we hope in your case does not exist. Learning that this action was contemplated, our attorney telegraphed the federal judge, asking a hearing in case any application was made to him. We feel that the governor of a state in the discharge of an official duty, particularly of this character, where great public injury might result, should have been accorded the courtesy of a conference. It was not given. The court issued not such a restraining order as you indicate, but a limited order, solely attempting to restrain the state authorities from treating different creditors "unequally." Inasmuch as there had been no unequal treatment, the restraining order covering nothing that was not already being practiced by us, and again our attorney, at 9 o'clock that morning, was before the judge with the full amount of the plaintiff's claim in cash to deposit in the hands of the clerk of the court, subject to the final finding of the federal judge as to the merits of the plaintiff's claim.

I do not expect to induce you to concede that the authorities of the state of Oklahoma have any rights whatever. We have come to know that you and the element in which you circulate can not accomplish your ordinary purpose in life through the instrumentality of govern-

mental machinery selected by the people, and therefore your readiness to condemn us—but I beg to assure you of one thing: I am proud of my record as a public official for nearly three years in Oklahoma. The people of Oklahoma are satisfied and the fact that the Wall Street Journal persistently condemns me is a source of great satisfaction to me.

There is but one thing to add; theorize all you will about the virtue of the national banking law; criticize all you like about the policy of the Oklahoma banking law, but the fact remains that in Oklahoma state banks, creditors can get their money any day on demand. In a failed national bank he can't get his money anywhere in the union short of several months, and in many instances in several years, and then usually in such small partial payments as to be the equivalent only of ordinary interest per annum on his deposits, with no hopes of ever getting the principal.

Oklahoma can handle a failed bank without the slightest disorder on the street or in the bank; policemen are not required to preserve order. Local business is not suspended by the tying up of bank funds. We need no antidote for fever throughout the state on such occasions.

You are not entitled to criticize the Oklahoma law until you can show that the law you favor produces equally commendable results.

Very truly yours,

C. N. HASKELL,

Governor.

CONGRESSMAN HARDY'S SPEECH

Congressman Hardy's speech, published in a recent issue of The Commoner, will have a large circulation. It is a very clear and forceful elucidation of a number of points involved in the controversy over free raw material. The arguments which he presents are not only unanswerable, but they illustrate the situation so plainly that no disinterested person can fail to recognize the necessity for free importation of those raw materials which lie at the foundation of our principal industries. He very properly emphasizes the fundamental proposition that a tax on raw material is really a tax upon the consumer of the article, and not upon the manufacturer. This is a fact which is always overlooked by those protectionist democrats who are demanding a tax on raw material. The manufacturer not only collects all the tax that he pays to the producer of raw material but a great deal more, for the consumer at last reimburses him in an overflowing measure. Free raw material is in the interest of the consumer, not in the interest of the manufacturer, and when the democrats of Texas get this fact clearly before them they will receive in silence, if not with active disapprobation, the arguments of those who are trying to extend protection to a few producers of raw material, such as the sheep owners and the saw mill men.

"PARTY SOLIDARITY"

Referring to the effect of President Taft's appeal for party solidarity, William Allen White writing in the Emporia (Kan.) Gazette, says:

"There is not in the west a free newspaper that has even flickered for a minute. Hundreds of papers that have been unswerving in their admiration and loyalty to the president are saddened at his fearful mistake; but they are even more earnest in their advocacy of their ideas than before. The insurgent congressmen and senators have not lost a supporter. The people still are behind these men. The presidential rebuke has made them more heroic in the eyes of their friends."

VISIONS OF BOYLAND

What does a little boy dream about
All through his laughing years,
Are his castles really afar in Spain
And built by the hands of seers,
Where only kings and queens command
From gilded chairs the realm,
And golden coins twinkle down
To the thin wayfarer's hand?
No, no, a little boy dreams about
The fish in the creek near by,
The trap he lays at the muskrat house
And the rabbits hopping shy.
A willow stick is his scepter,
A stub-blade knife the key
That fits each door of fancy
And sets his dream folks free.

—Will Chamberlain in Vermillion, S. D.,
Republican.