

**GUARANTEE OF BANK DEPOSITS**

INTERESTING STATEMENT FROM HON. DON C. McMULLEN.

Some time ago it was stated that in all probability Hon. Don C. McMullen, who will represent Hillsboro county in the next State Senate, would introduce a bill in that body calling for the passage of a law guaranteeing bank deposits similar to the Oklahoma law.

Shortly afterward he received a letter from Hon. John Trice, president of the Citizens' Bank and Trust Co., in which Mr. Trice emphatically declared his opposition to a bank deposit guarantee law.

Mr. McMullen has made the following public reply to Mr. Trice's letter:

Tampa, Fla., Oct. 27, 1908.  
Mr. John Trice, President Citizens' Bank and Trust Company, Tampa, Fla.

My dear Sir—I herewith return to you the article on the subject of "Guaranty of Bank Deposits," by Festus J. Wade, President of the Mercantile Trust Co., of St. Louis. I thank you for sending me the article and have carefully read it. As I stated to you on receipt of same

order to obtain that permission its incorporators have to comply with such requirements as the government may impose, no matter how rigid they may be; nor does it free itself from the supervision of the government then; it continues at all times subject to its examination and control and there is no limit to the power of the government in this respect, even to the extent of closing the doors when conditions justify it. In addition to that the requirements to retain a reserve of 25 per cent of the deposits of a bank and to prevent loaning more than ten percent of the capital and surplus to one person could be made mandatory and not merely directory at present. Add to that the civil liability of stockholders to depositors for an amount equal to and in excess of the capital stock of the bank and the liability of the officers of the bank to criminal prosecution for malconduct and the incentive for "wild cat" banking would be practically overcome. More than that, if each bank had to bear its proportionate part of loss in the event of a failure, there would be a hearty co-operation of the banks and bankers with government officials to see that the law

thetic tremor throughout the land, causing people to withdraw their money from the banks and consequently from circulation.

We might say that the people should use judgment in selecting a bank to deposit in; but what is to be the criterion?

It can't be the size of a bank or the volume of business done by it for the Knickerbocker Trust Company that failed in New York last fall was one of the largest banks of the country. And it can't be the age of a bank for only a few years ago one of the oldest banks in the South failed in Macon, Ga., and it was supposed to have been under the management of one of the wealthiest and most conservative business men in that city.

No, sir; the selection of a depository is to a very small degree a matter of judgment and to a very large degree a matter of faith; and close governmental supervision guaranty deposits would make for a wonderful growth in faith and in deposits.

It is not that the depositor will lose, for the chances that he will are small, but that he's afraid that he'll lose.

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I have not a fixed determination to introduce and endeavor to pass a bill through the Legislature providing for the guaranty of bank deposits but I am studying the question with that end in view. The constant criticism of our financiers upon our financial system and the recent panic depressing and demoralizing the business of the country, at a time of unprecedented prosperity, impresses one with the idea that a change of some kind is desirable if we hope for permanent relief.

The constant agitation and unrest relative to our financial conditions indicates that a very large element of our people want an amendment of the present system or an entire change that will make panics of less frequency and force. We have heard much of "asset money" and "elastic currency," but guaranty of deposits is new.

It doesn't necessarily follow that it is a failure because it has never been tried; the steamboat a hundred years ago was not a thing that any careful capitalist cared to invest in; he'd shake his head and look wise and talk about "Fulton's folly." Last week I was in Key West and a naval officer told me that they could send a message to Washington, D. C., and receive a reply in fifteen minutes by wireless telegraph. But a few years ago a man's mental condition would have been questioned if he had suggested such a thing. It takes experiments as well as experience to keep the wheels of progress rolling forward.

The article of Mr. Wade and the burden of all the arguments that I have seen in opposition to the guaranty system are based upon about three grounds, to-wit: It would encourage reckless banking; there is no need for it; and the "big bankers" do not want it.

To the first objection there are several answers. A bank is a creature of the State or nation; it has to obtain permission from government authority before it can open its doors to the public, and in

was rigidly and impartially enforced.

In support of the contention that there is no need for the guaranty system the opponents point out that during the past forty years the loss to depositors in national banks has been only one-twenty-sixth of one per cent of the total deposits. That is certainly a creditable showing but it is no argument against the guaranty law. In fact, to my mind, it is an argument in favor of it. It contradicts the argument that the possible drain on solvent and well managed banks would be so great as to imperil them under the guaranty system. Moreover the guaranty of bank deposits, as I understand it, is not so much to indemnify the depositors of a defunct bank, as it is to establish confidence in the banking system generally, and remove the present rivalry for money between the banks and trust companies on the one side and carpets, stockings and old shoes on the other side, with the latter class rapidly gaining on the other during the past twelve months. Not only are millions of dollars tucked under carpets and put away in old shoes and stockings at hazard to the owners, where it benefits nobody, but the recent recommendation of the postmaster general in favor of the fact that many millions of dollars go annually from the United States to European savings banks. If the public felt that their funds were as safe in our banks as they are in private receptacles and foreign savings institutions, hundreds of millions of dollars would be called out from hiding and started on their mission of reviving a prostrate business, a condition brought about not by the farmer who has his usual crop for sale, not by the laborer who is ready to give his honest day's toil to the development of the inexhaustible resources of the country, if he can find employment; not by the merchant who is willing to buy and anxious to sell, but very largely by the failure of a few banks of New York City, with a sym-

The fact that the "big bankers" are opposed to it is no objection if the people in their wisdom demand it. The bankers also oppose postal savings banks though they seem to have proven quite a success in European countries.

In fact, Mr. Festus J. Ward, in the article above referred to, thinks that the government ought not to demand security for its depositors, but he would have a hard time in finding an audience to agree with him, unless it was an audience of bankers. The law in Florida, requiring security or guaranty for banks for State depositors, was only passed after the State had sustained pretty heavy loss by bank failure. The county treasurer can't receive a cent of the people's money unless he has given a guaranty bond to indemnify the people who own the money, neither can the city treasurer. How much more sacred are the funds of the State or the county or the city than are the earnings of some poor woman, who has slaved and slaved to have something to keep her from becoming a public burden in the evening of life? There is many a dollar lying in the vaults of banks that has been obtained at a sacrifice in order that it may be available in an hour of need. Why shouldn't the State see that the depositor finds it where he puts it? of banks are public institutions and are made for man it seems to me that it is the duty of the State to do so; if on the other hand man is made for the banks then the voice of the people should be silenced on the subject, and if the bank survives he can get his money when he calls for it, but if it perishes he may have to wait seventeen years for his fourth dividend of ten per cent of his deposits, which was the case in a Florida town, recently brought to my attention.

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