

Mr. Bryan on Finance.

On the 5th of February, before the Economic club of New York, at Hotel Astor, William J. Bryan delivered a remarkable address on the subject of finance and currency. Seven hundred guests of the club were assembled and among them were many of the bankers and financiers of New York and other cities. Among them were Lyman J. Gage, former Secretary of the Treasury, Victor Morawetz and Andrew Carnegie and the president of the First National Bank of New York City, Mr. Baker. The speech entire was a choice contribution to an important issue. The Scimitar has space for only a portion of it—the portion relating to guaranteed deposits—Mr. Bryan saying:

What we need, I think, even more than an increase in our currency is confidence. Think of it! (Applause.) I am now the evangel of confidence. I am now the "advance agent" of confidence. If we can bring money from hiding and hoarding and get it into the banks, the banks will have more money to loan than we can possibly furnish them by any emergency currency. What we need today is to restore confidence in the depositors. John Wanamaker was quoted as saying—I can not entirely rely on what the newspapers say—but he was quoted as saying that a billion dollars was hidden under carpets. The government only loaned the banks about 250 million dollars and if Mr. Wannamaker is right we have four times as much in hiding. The Postmaster general in recommending a postal savings bank, says that we are sending out many millions every year to be deposited in government banks in Europe, by people who are not willing to trust our banks. The people of this country are being driven to the postal savings bank because they need a place to deposit their money where they can get it when they want it. Some of you have thought me very anxious to enlarge the work of the government. I have never insisted that the government should undertake any business that could be done satisfactorily by the individual. I believe in individualism; I want the individual to have the largest possible sphere of action.

And only where it is impossible for the individual to act, or unsafe for the community that he should act, have I suggested that the government should act. I have believed for years that if the banks did not allow the banking to be made safe they would drive the country to the postal savings bank. I would rather have the banking done by the bankers than by the government. (Applause.) I am in favor of the postal savings bank, but a postal savings bank is only an alternative to be selected if we can not get the security that the people demand.

And today, the greatest need we have is legislation that will make people feel that when they deposit money in the banks they can go and get it whenever they want it; the stringency that has spread over this country in a night has taught the people the necessity for this protection.

They tell us that the timidity which people have manifested is not justified. That is generally true. I am not prepared to speak for this community, but I am sure that in the west there is no reasonable excuse for this timidity. (Laughter.) Our crops have been bountiful; our prices have been good; Our people have money; they fill the banks with their money, and there was so much that they sent a large part of it down here to New York to be invested, and they have been waiting, waiting, waiting for its return. (Laughter.) Our banks are good, and yet, my friends, when a bank suspends payment on checks you need not be surprised if the ultra-timid become alarmed and want to get their money out. (Laughter.) If I were a banker I would not be proud of a system that had to run rivalry with a carpet as a safety deposit vault, and have the carpet preferred in times of stress. (Laughter.) A man does not hide money under a carpet if he can find any safer place. (Laughter.) I repeat that what we need today is to make the bank safe. You may laugh down here in New York, but in Oklahoma—you call it a wild western state—the first thing they did was to pass a law to guarantee bank deposits. How did they do it? They authorized a banking board to collect an assessment on the 17th of this month of one per cent on the deposits of the banks. I think it is higher than necessary: one-half of one per cent would have been enough, even one-fourth of one per cent would have been sufficient, but they said one per cent and they empowered the board to assess at any time and to any extent necessary to keep that reserve intact. And thus they put behind every bank the assets of all the banks. In anticipation of the operation of that law, the bankers of Kansas petitioned their Governor to call a special session of the legislature to pass a law like it so as to keep the money from being drawn out of Kansas banks and deposited in Oklahoma. (Great laughter.)

And the legislature is now in session. It will en-

act such a law. It has been introduced in Illinois. It has been introduced in Ohio, and I had the honor to receive an invitation from the Republican legislature of Ohio to come and address that legislature on a guaranteed bank. Possibly, I was invited because some fourteen years ago I tried to secure the enactment of such a law by Congress. We had a failure in one town and many poor people suffered the loss of their savings, and the hardships visited upon our community caused such a cry of distress, that someone came to me—I wish I could remember his name—and suggested a guarantee fund, and I introduced in Congress a bill that provided for the collection of a small tax each year until a guarantee fund was provided. The bill provided that when a bank failed, the comptroller should from this fund pay every depositor immediately, so that there would be no interruption of business to the community and no loss to the depositor, and then proceed to collect the assets of the bank and reimburse the fund as far as the assets would go.

Now that was some thirteen or fourteen years ago. What was the objection raised? That if all the banks were good, the big banks would not have any advantage over the little ones—that the depositors should all be unsecured that the big banks might have an advantage over the little banks. Where is the patriotism that we have been hearing about in our financiers? Do they insist upon a system that requires that a depositor shall have his interests jeopardized, and that the community shall suffer that the big banks may have an advantage over the little banks?

I went out to Nebraska and got that bill introduced there. I thought, surely if we can not have it in the United States, we can have it in Nebraska. (Laughter.) But when the bill came up there was a lobby of national bankers to oppose it. "Why," they said, "if state banks are safe, people will not deposit in national banks." (Laughter.) What is the objection now? Mr. Forgan, the head of one of the largest banks in Chicago, stated as his objection that it would make all banks secure. (Laughter.) What an objection! He said that, under such a system, you could just step in any bank and deposit your money! That would be awful! (Laughter.) I ask you this question, my friends, must we leave the depositor helpless? Must we leave the community helpless rather than have all banks secure? What is more important than have all banks secure? What is more important than the security of the depositor? Why not look at this question once from the standpoint of eighty millions of people who have lost hundreds of millions of dollars in this particular crisis that they never can get back? Is that not sufficient reason for a different plan, or shall we sit back and say "No, it would not do to make all banks secure, for then the big banks would not have any advantage over the little banks." The big banks will still have an advantage over the little bank. It does not need to rest upon the insecurity of all. The fact that it has a large capital and surplus enables it to loan more to one individual than the small banks can. A bank can only loan one-tenth of its capital and surplus to one person, and a bank that has ten times the capital and surplus of another can accommodate the man who wants to borrow large sums. Isn't that an advantage? And there is another advantage. It has an advantage resting upon vanity. People like to do business with the big banks; they like to go in and have the president of the biggest bank bow to them and smile. (Laughter.) Isn't that some advantage? Wouldn't that remain, even when all banks were safe?

What is the other objection? They say that, if all the banks are secure and the depositor can not lose, the banks will be recklessly managed. I am glad that that argument is made now, when we have seen the extreme care that is exercised under present conditions. (Laughter and Applause.) My good friend here, Chairman Stetson, suggested that a difference as large as an ocean separated him from some of the speakers, and I thought I could notice a slight inclination of the head in my direction. (Laughter.) I wonder if there can be a large gulf between us on this subject. The manager becomes careless! Why, my friends, the officers of the bank are selected by the directors and the directors are chosen by the stockholders, and the stockholders would lose all of their capital, all their surplus and then they would have to respond to the 100 per cent liability before any other bank could lose anything; wouldn't that be enough to make the officers careful? If that isn't enough, suppose we try the criminal law and see if that will make them careful. What has been the difficulty with our banks? Our financiers will tell you that the banks that have failed in almost every instance because the officers of the bank have violated their trust and used the money of other people to advance their own private interests! Isn't that true, Mr. Gage?

Mr. Gage: Yes, sir.

Mr. Bryan: Isn't that true Mr. Baker?

Mr. Baker: Yes, sir.

Mr. Bryan: Why hasn't it been remedied? Because the managers of the bad banks don't want to be restrained and the good bank isn't anxious to have the other ones restrained, because the good bank can point to the recklessness of the other and draw away deposits.

I am not supposed to know anything about banking, and yet these distinguished men, who have shed lustre on the banking business, admit that I have put my finger upon the sore place in the banking system. Now when we make all the banks responsible for each bank then they will be interested in effective regulation. We will find them favoring legislation that will protect the public funds. We have been asking for this regulation all the time. I introduced a bill in Congress to increase the penalty for embezzlement where the amount was large; I supposed that I would have unanimous support. I supposed the stockholders would be glad to hold over their officers the danger of a longer penal term if they were dishonest and took money, but I could not get that through. (Laughter.)

I welcome the prospect of guaranteed banks, because I think it will enable us to get some regulation that we need. For instance, I think it might help us to pass a law to make more than directory the rule that a bank shall not loan more than one-tenth of its capital and surplus to one person. A man testified in the case of a Chicago banker last summer that that law was merely directory; that if an examiner found that a bank was loaning more than ten per cent to one man, the department would send him a formal letter calling his attention to it, and then if he did not correct it by the next examination, he might expect to be forcibly reminded by another courteous letter. Is that good banking? Is that safe and sound finance? If one-tenth of the capital and the surplus is all that ought to be loaned under our present system, if it is the judgment of those who make the law that the loan shall not exceed that then I insist that we ought to make a criminal law, to compel the officers to do that which they were directed to do by the authorities. (Applause.) Wouldn't that be a good law, Mr. Gage?

Mr. Gage: Yes, sir.

Mr. Bryan: Would not that be a good law Mr. Baker?

Mr. Baker: Yes, sir.

Mr. Bryan: My friends, if I keep on I will be in standing after a while. (Laughter and applause.) Now I think there is another thing that we ought to have. I think more of the reserve ought to be kept in the bank and less loaned. Isn't that right?

Voices: Right again. (Laughter and applause.)

If more of the reserve is kept in the bank, the bank can be allowed to keep a part of it in bonds upon which emergency notes can be borrowed from the government. It was the deposit of western and southern reserves in New York that caused the stringency to spread throughout the country. Now I want to remind you that for forty-seven years our laws have been made by financiers, and yet we reach the condition which confronts us today, and eminent bankers admit here in your presence, that I, a farmer from Nebraska, can suggest changes that your financiers did not think of, or at least, did not put into law. (Laughter.) Why?

A Voice: You ought to be right part of the time. (Laughter.)

Mr. Bryan: Thanks; it is a concession that I appreciate, and I wish I could return the compliment by saying that our financiers have been right even part of the time. (Great applause and laughter.)

Now there is another safeguard. I would like to see a law that would make it a criminal offense for any bank official to become a gambler upon the stock market. Don't wait until he has lost or committed suicide, but make it criminal to begin. Save the man's life, and his honor and his family by protecting him from the temptation.

Now I have said what I have upon this question because I believe it should be presented. It is not necessary to wait until the election is over to find out what ought to be done. Take a plan that appeals to the common sense of the average man and you need not be afraid to present it before election. The people of this country are the most intelligent people in the world. They want to do what is right. Some of you misunderstand our people. (Laughter.) You think we are anarchists. You think we want to injure the country. I think I am a fair representative of the average man out in the west, at least I have been able to keep in touch with him in spite of all the newspapers. He and I get along pretty well together. Why? Because I have tried to appeal to the hearts and consciences and judgment of these men. You have said that we are arraying class against class. It is false.

You have accused us of disregarding property rights. That is not true. The man who defends human rights is the best defender of property rights. (Applause.) The man who prosecutes the wrongdoer is the best friend of honesty. (Applause.) And all that we have asked is that you view this great question from the bottom and not from the top.