

# **THE GUARANTY OF BANK DEPOSITS**

Published @ 2017 Trieste Publishing Pty Ltd

ISBN 9780649212477

The guaranty of bank deposits by Thomas Bruce Robb

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**THOMAS BRUCE ROBB**

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BY

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BOSTON AND NEW YORK  
HOUGHTON MIFFLIN COMPANY

The Riverside Press Cambridge

1921

## PREFACE

THIS series of books owes its existence to the generosity of Messrs. Hart, Schaffner & Marx, of Chicago, who have shown a special interest in trying to draw the attention of American youth to the study of economic and commercial subjects. For this purpose they have delegated to the undersigned committee the task of selecting or approving of topics, making announcements, and awarding prizes annually for those who wish to compete.

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Any essay submitted in Class B, if deemed of sufficient merit, could receive a prize in Class A.

The present volume, submitted in Class A, was awarded second prize in that class.

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## AUTHOR'S PREFACE

THE guaranty of bank deposits is a part of the larger question of the guaranty of bank credit. Bank credit is an elemental thing consisting of purchasing power which a bank manufactures. This credit manifests itself in two forms, namely, bank notes and bank deposits. The first chapter of this essay deals with the nature of bank credit. In this chapter no attempt is made at an exhaustive discussion — the attempt being made simply to show the general nature of this phenomenon and its significance in the modern world. The second chapter deals with the guaranty of bank credit. In this chapter the characteristics of the two forms of bank credit are set forth and a description is given of the safeguards that have been thrown around each. With this broad view of the nature of bank credit and the relationship existing between bank notes and bank deposits, the way is cleared for a better understanding of the strength and the weakness of the foundation upon which bank-deposit guaranty rests.

In succeeding chapters a statement is given of the framework and the operation of the guaranty laws in the various states. The narrative endeavors to present what has occurred in each state. But attention is especially called to the fact that as each state is considered no attempt is made to weigh, in the light of the experience of that state, the much-mooted questions of bank guaranty. The discussion of these questions is deferred to chapter VIII, where the testimony, gathered from all the states, is brought together and collated for the purpose of showing what light is thrown on these issues.



Finally, the reader is warned that this subject is still surcharged with controversial heat. It yet gets "vitriolic attack or sublimated adulation." Time having not yet furnished a perspective, no one can be certain that he is free from that bias which is so fatal to scientific work.

In the preparation of this little book I am deeply obligated to many persons. Most of all am I indebted to Professor Fred R. Fairchild, of Yale University, at whose suggestion the study was begun and whose advice has greatly influenced the general method of development. Professor R. B. Westerfield, of Yale University, has read the entire manuscript and I wish to acknowledge with gratitude his invaluable assistance with every chapter of the book. I am also under special obligation to Mr. Thornton Cooke, president of the Columbia National Bank of Kansas City, Missouri, for reading the manuscript. Mr. Cooke is well known as the closest and safest student of the guaranty movement, and he has given me many suggestions that I have incorporated bodily into the work. Finally, I am indebted to Professors A. B. Adams, Jerome Dowd, and J. R. Cable, of the University of Oklahoma, for going over my work and giving helpful criticism.

THOMAS BRUCE ROBB

*June 1, 1920*

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