PLEASE NOTE:
Some pages have indistinct print. Filmed as received.

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Acknowledgment

I should like to express my gratitude to the many librarians and researchers who aided me in assembling the material for this study, and to Dr. Robert H. Bremner, who guided the project from its inception. Dr. Bremner's patient guidance and inspiration aided immeasurably in the completion of this work. I should like to especially thank my wife, Cheri, for cheerfully enduring the time I spent on the dissertation.
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PUBLICATIONS


Research Assistant for Dr. Robert H. Bremner, Children and Youth in America: A Documentary History (Cambridge, Mass.: Harvard University Press, 1970-)

FIELDS OF STUDY

American Social and Intellectual History. Professor Robert H. Bremner

Late Nineteenth Century American History. Professor Francis P. Weisenburger

Colonial and Revolutionary America. Professor Paul C. Bowers
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Chapter I

Thrift Movements and the Background of the Postal Savings Movement

On June 25, 1910, President William Howard Taft signed the bill which created the American postal savings system. For sixty years thereafter, many Americans of all ages deposited their money at the local post office. Immigrants, accustomed to postal savings systems in their native lands, used the system in preference to banks. In remote areas, or areas unserviced by local savings institutions, the postmaster provided the only available banking facilities. Those who did not trust banks or bankers could deposit their money with the United States government and feel secure. Children comprised a large segment of the depositors, because the postal savings system provided for deposits of very small amounts of money which the young could more easily obtain than the larger amounts required by many banks. And the system was of direct benefit to the United States government. During World War I and World War II, deposits in the postal savings system were converted directly into government bonds.

The postal savings system was not an American
creation. Nor was it the only scheme undertaken between 1797 and 1910 to foster thrift and savings. Thrift was widely recognized as desirable, and numerous plans to encourage frugality and savings had been devised prior to the postal savings plan. Emphasis on savings was central to prevailing economic thought. The classical economists recognized savings, or capital accumulation, as the productive factor in the growth of a community or industry.

When the division of labor has once been thoroughly introduced, the produce of the man's own labor can supply but a very small part of his occasional wants. The far greater part of them are supplied by the produce of other men's labor, which he purchases with the produce, or, what is the same thing, with the price of the produce, of his own. But the purchase cannot be made till such time as the product of his own labor has not only been completed, but sold. A stock of goods of different kinds, therefore, must be stored up somewhere sufficient to maintain him, and to supply him with the materials and the tools of his work till such time, at least, as both these events can be brought about. . . As the accumulation of stock must, in the nature of things, be previous to the division of labor, so labor can be more and more subdivided in proportion as stock is previously more and more accumulated. The quantity of material which the same number of people can work up increases in a great proportion as labor comes to be more and more subdivided; and as the operations of each workman are gradually reduced to a great degree of simplicity, a variety of new machines come to be invented for facilitating and abridging those operations. As the division of labor advances, therefore, in order to give constant employment to an equal number of workmen, an equal stock of provisions and a greater stock of materials and tools than would have been
necessary in a ruder state of things must
be accumulated beforehand.¹

Adam Smith was discussing the accumulation of goods. The
same principle was applied to money. Enterprising
entrepreneurs soon attempted to tap the savings resources
of the masses, rather than relying on the resources of the
wealthy.

The accumulation of savings not only provided the
capital necessary for industrial expansion, but was looked
upon by numerous conservatives as a palliative to many of
the ills of society. The man who saved some of his money
not only practiced the virtues of frugality, industry, and
prudence, but provided himself with a vested interest in
the prevailing social order, and was correspondingly less
apt to participate in or condone radical schemes. William
Graham Sumner often told the following story:

Some years ago I listened to an address by
a social agitator who said: "I can get along
with anybody in my audiences except these mean,
stingy, little fellows who have saved up a
few hundred dollars in the savings bank and
then have borrowed enough more to build a
little house of two tenements, one of which
they rent, when I begin to talk about interest,
and rent, and Henry George, they get up and go
out by the whole seat-full at a time." The
statement was the most eloquent recognition I
ever heard of the power and beneficence of
capital. It has always remained in my memory
as a confession by an opponent of the education

¹Adam Smith, An Inquiry into the Nature and Causes
of the Wealth of Nations, Introduction to Book Two.
effected by savings and of the benefit conferred on society by savings banks.²

The earliest institutions primarily for savings were philanthropic in nature, and designed more to promote thrift and frugality among the poor than to accumulate capital. Meliorative thrift plans were prevalent among conservatives and philanthropists whose prescription for poverty was self-help. Harder work and stricter economy was the answer to improvement of the lot of the poor, not higher wages.³

Jeremy Bentham's essay, "Frugality Banks," published in 1797, was the English proposal of such an institution.⁴ In the early part of the nineteenth century in England, many parish ministers established banks for the poor, and received substantial philanthropic support for these banks. The backers of these banks served as trustees and managed the accounts and investments. Founders of such banks made lavish claims about the benefits of their schemes, even going to far as to boast that poor banks would eventually render the parish pauper tax unnecessary. By 1817 the movement had grown sufficiently


³Robert H. Bremner, From the Depths: The Discovery of Poverty in the United States, p. 13, and James Henry Hamilton, Savings and Savings Institutions, p. 158.

⁴Hamilton, Savings and Savings Institutions, p. 157.
in importance to cause Parliament to pass acts for the control of "Trustee Savings Banks."  

It was not long before the idea for such banks spread to America. Thomas Eddy, a New York merchant, learned of trustee savings banks through correspondence with Patrick Colquhoun, a London magistrate. Eddy met with other merchants in New York city in 1816 and this group decided to found such a trustee bank. After a constitution was drafted, directors chosen, and a location for the bank secured, the merchants applied for a charter from the New York legislature. The charter was granted on March 26, 1819, and on July 3, 1819, the "Bank for Savings in the City of New York" opened its doors for business for the first time.  

The trustee form of savings bank became the principal type of savings institution to develop in the United States during the nineteenth century. The banks were intended primarily for the poor. In recognition of this, several states placed limitations, ranging from one thousand to three thousand dollars, on the total amount which could be deposited by each individual. The managing board of trustees was a body of men, usually well-to-do and philanthropically minded, who had no other motive than

---

5Ibid., p. 158.
6Edward L. Robinson, One Hundred Years of Savings Banking, pp. 13-14.
service. There was no capital stock on which dividends were paid and no pecuniary reward to the trustees. The investments made by the board of trustees were very conservative in nature and did not provide large dividends. The emphasis in the investment policy in savings banks was the safety and security of the investments, and not their potential profit. Security of the investments was the outstanding feature of the savings bank.

The conservative nature of the investment policy distinguished the savings bank from the savings department of commercial banks. A commercial bank is a business enterprise, and the motivation behind its investment policy is profit for the stockholders. The savings department of a commercial bank therefore invests its funds in much the same way as other deposits. The desire for profits promotes more speculative investments, with a consequently higher risk, but potentially more profit. Many commercial banks opened savings departments during the nineteenth century, but the main business of these banks remained the commercial banking function, and many commercial banks actually discouraged savings accounts.


The stock savings bank, a variation of the trustee savings bank, developed during the 1830's and 1840's, predominantly in the middle western states. The stock savings bank was a combination of the trustee savings bank and the savings department of a commercial bank. The stock savings bank was primarily a business, and secondarily a philanthropic enterprise. Stock was sold to investors, and dividends distributed to the stockholders from the excess profits. The conservative nature of investments remained, at least theoretically, but management consisted of stockholders whose primary motive was profit. Investments in stock savings banks tended to be more speculative than in trustee savings banks, but not as speculative as commercial banks. The failure rate among stock savings banks was correspondingly higher than that of trustee savings banks and lower than commercial savings banks.  

As the table on the following page shows, savings banks of both types, and the number of people who deposited money in them grew rapidly in the United States. They were not distributed evenly throughout the United States. Of the 1759 savings banks in 1900, 423, or almost one fourth, were located in the six New England states. New York accounted for 142 of the savings banks, only seven less than the total in the eleven Southern states. Of the 888

9Manning, Century of American Savings Banks, p. 25.
Table 1a
Number of Savings Banks, Number of Depositors, and the Average Amount Due each Depositor in the United States for Selected Years

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Banks</th>
<th>Number of Depositors</th>
<th>Average Due Each Depositor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1820</td>
<td>10</td>
<td>8,635</td>
<td>$131.86</td>
</tr>
<tr>
<td>1830</td>
<td>36</td>
<td>38,035</td>
<td>183.09</td>
</tr>
<tr>
<td>1840</td>
<td>61</td>
<td>78,701</td>
<td>178.54</td>
</tr>
<tr>
<td>1850</td>
<td>108</td>
<td>251,354</td>
<td>172.78</td>
</tr>
<tr>
<td>1860</td>
<td>278</td>
<td>693,870</td>
<td>215.13</td>
</tr>
<tr>
<td>1870</td>
<td>517</td>
<td>1,630,846</td>
<td>337.17</td>
</tr>
<tr>
<td>1880</td>
<td>629</td>
<td>2,335,582</td>
<td>350.71</td>
</tr>
<tr>
<td>1890</td>
<td>921</td>
<td>4,258,893</td>
<td>358.03</td>
</tr>
<tr>
<td>1900</td>
<td>1,002</td>
<td>6,107,083</td>
<td>401.10</td>
</tr>
<tr>
<td>1905</td>
<td>1,237</td>
<td>7,696,229</td>
<td>423.74</td>
</tr>
<tr>
<td>1910</td>
<td>1,759</td>
<td>9,142,908</td>
<td>445.20</td>
</tr>
</tbody>
</table>


savings banks west of the Mississippi River, 663 were in Iowa and 122 in California, leaving one hundred three banks to service the remaining eighteen Western states.10

A second type of savings institution was introduced in America in the first half of the nineteenth century. The building society, or building and loan association, like the trustee savings bank, was philanthropic in

character. Unlike the savings banks, savings and loan associations required little or no philanthropic capital or direction beyond the initial organization. The Earl of Suffolk originated the idea in Dircudbright, Scotland. According to the original plan, a number of people interested in saving toward building their own homes would join the association. Members agreed to purchase shares at a nominal monthly or weekly rate which was geared to each member's individual income. The relatively small amount required for membership enabled the poor to participate, and the requirement of regular stock purchases was an encouragement to thrift. The wealthy would not normally patronize building and loan associations since they could obtain loans elsewhere and higher rates of interest were available for their investments. Thus the building and loan association, like the savings bank, was a proposal to elevate the poor.\(^{11}\)

When the association accumulated sufficient capital through the sale of shares to finance a loan, a sale was announced. Members of the association bid up the interest rate, the highest bidder receiving the loan. The process was then repeated to raise further capital. As members repaid loans, the capital of the society would grow and

\(^{11}\)Hamilton, Savings and Savings Institutions, pp. 132-133, 143-144.
more loans would be granted.\textsuperscript{12}

The first building and loan association in America was established in Philadelphia in 1840.\textsuperscript{13} Like savings banks, building and loan associations spread throughout the United States very rapidly. By 1910 there were 5,737 such associations in America serving 2,029,927 members. Although there was at least one building and loan association in each state, such institutions remained primarily an urban phenomena, and were most predominant among German-Americans. For example, in Ohio in 1897, there were 761 building societies. \textsuperscript{349}, or almost half, were located in Hamilton County (Cincinnati and its suburbs), which had a large German-American population.\textsuperscript{14}

Employers often advocated thrift as the prescription for the ills of workers. During the last half of the nineteenth century many businessmen searched for plans for the betterment of their employees which would cost them a minimum. Insurance plans and profit sharing were two attempts to enhance the position of labor. Several firms also adopted employers' banks, where the employer would act

\textsuperscript{12}Ibid., pp. 132-133, 143-144.

\textsuperscript{13}Ibid., p. 138.

\textsuperscript{14}Comptroller of the Currency, Annual Report, 1910, p. 65, and Hamilton, Savings and Savings Institutions, pp. 132-133.
as banker for the savings of his employees. One such plan was begun by the Baltimore and Ohio Railroad in 1889. Like most of the other employers' banks, the B & O bank paid a high rate of interest, five and one-half per cent.\textsuperscript{15}

Employers' banks, like savings banks and building and loan associations, were attempts by the rich to instill the virtues of thrift and industry in the poor. Employers' banks had the added advantage of being a sure hedge against strikes and labor discontent. During such upheavals, employers could simply freeze the funds of employees, and use a man's savings as a club over his head against work stoppages. This scheme did not enjoy widespread adoption.

The idea that thrift as a virtue should be taught eventually led to attempts to inculcate the savings habit among the young through the school system. The first school savings banks were started in France in 1834. The Beloit, Wisconsin school system started the first American school savings bank in 1876. For some time most banks did not accept deposits under one dollar, and this proved a serious drawback to school savings banks. Most children could not accumulate sums as large as a dollar at any one time. A Belgian immigrant, John H. Thirty, devised a scheme to circumvent the one dollar minimum provision. Thirty was a trustee of the Long Island public school

system. The "Long Island Plan" which he developed in the 1880's and 1890's became the standard approach to school savings banks. The principal would collect the pennies and nickles from the children and deposit them, as trustee, in a special account in a local bank. This required the cooperation of the local savings bank or savings department of a commercial bank. Each teacher kept a record of the deposits of each student, and when any student accumulated one dollar, an account was then opened in that scholars' name. Collections were made regularly and during the appointed time, the teachers would give lectures on the virtue of savings. By the first decade of the twentieth century, a nationwide organization for the promotion of school savings banks was founded, and the American Bankers' Association encouraged local bankers to cooperate with school banks and to help found such banks where they did not already exist.¹⁶

By 1900 most of the savings plans that had been developed in the rest of the world were operative in the United States. The two major exceptions were postal savings banks and municipal savings banks. Municipal savings banks were operated by city governments as savings institutions for

the benefit of the citizens of the town. They developed out of municipally owned pawn shops. Municipal savings banks existed almost exclusively in Germany, and thrived there because of the strong local spirit and long tradition of local autonomy.\footnote{17}

At the beginning of the twentieth century, postal savings banks were in operation in most of the countries of the world. The two exceptions were Germany, where municipal savings banks served the function fulfilled by postal savings banks elsewhere, and the United States, which was the only major country of the world not to have in operation a state banking system for savings.\footnote{18}

The first proposal for postal savings banks was introduced into the British House of Commons in 1807. Samuel Whitbread presented a bill "For Promoting and Encouraging Industry among the Laboring classes of the Community, and the Relief and Regulation of the Criminal and Necessitous Poor." As the title of the bill indicates, Whitbread's proposal was philanthropic in nature and aimed directly at the poor. Depositors had to prove that their subsistence was principally derived from the wages of their

\footnote{17}{Hamilton, \textit{Savings and Savings Institutions}, pp. 256, 262.}

\footnote{18}{United States Congress, Senate, National Monetary Commission, \textit{Notes on the Postal Savings-Bank Systems of the Leading Countries}. Table following p. 128. [Hereafter cited as \textit{National Monetary Commission, Postal Savings-Bank Systems}.]}
labor, and deposits were limited to twenty pounds a year and could not exceed two hundred pounds in all. Postmasters were to receive the deposits and invest the money in government stock. Whitbread's proposal failed to pass in 1807, and for fifty years no further postal savings proposals were introduced.  

William Sykes introduced another postal savings system proposal in the House of Commons in 1859. The bill received the support of William Gladstone, then Chancellor of the Exchequer, and Sir Rowland Hill, Secretary to the Post-Office. It was passed on May 17, 1861, and on September 16, 1861, British post offices began receiving deposits.

The British system was designed for use by working class patrons. Depositors were limited to one account and could not deposit more than thirty pounds in one year nor accrue more than one hundred thirty pounds in an account. The relatively low rate of two and one-half per cent annual interest kept the postal savings banks from competing with existing institutions. Depositors were given pass-books

which they presented upon making deposits and withdrawals. Originally deposits and withdrawals could only be made at the post office where the initial transaction had taken place, but this was later changed to allow deposits and withdrawals at any post office. In 1893 telegraphic withdrawals were allowed. The minimum deposit and the minimum on which interest was paid was one shilling. Because this represented a considerable sum to many patrons, including children, cards were issued containing spaces which could be filled with ordinary postage stamps. When the stamps on the card reached a value of one shilling, the card could be turned in and the depositor credited with a one shilling deposit. The money deposited in the postal savings system was transmitted to London, where it was invested in government bonds. The system thus aided the British government directly.

The British postal savings system was so successful that it actually showed a profit. After interest had been paid on the deposits, and overhead deducted, the British government made a substantial profit in forty of the first

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23Ibid., p. 25.

24Hamilton, Savings and Savings Institutions, pp. 338-339.

fifty years of the system's operation. The British system showed a remarkable rate of growth. At the end of the first year of operation, 178,495 depositors had opened accounts in 2,535 post offices. By 1900, 8,429,983 depositors had active accounts in 13,341 post offices.

Extension of the postal savings system to the British Empire followed the success of the system in England. Scotland and Ireland were added to the British system in 1862, and Canada became the first colony to establish a postal savings system in 1867. With the establishment of a postal savings system in Egypt in 1901, the entire British Empire was serviced by postal savings banks.

Other nations rapidly adopted the system: Belgium in 1870; Italy and Japan in 1875; the Netherlands in 1882; Austria in 1883; Sweden in 1884; Hungary in 1886; Finland in 1887; Russia in 1889; and Bulgaria in 1896.

Despite the tremendous growth of the postal savings system throughout the world, the United States resisted its adoption until 1910. Numerous proposals for postal savings banks had been offered in America, and there was

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26 Ibid., p. 52.
27 Ibid., p. 34.
28 Ibid., pp. 34-43.
29 Ibid., table following p. 128.
a demonstrable need for such a system. Savings banks, despite rapid growth, did not adequately serve the whole population. Simple numbers of banks, furnished above, provide only an indication of the inability of savings banks to satisfy the requirements of the population. Comparing the number of depositors with the population gives a more accurate picture of the sparsity of service to vast segments of the nation. In 1900, the New England states had one savings account for every two people. On the other end of the scale, the Southern states had only one to every 306 people. Texas had one account for every 1,023 people. In the Mid-Atlantic states there was one account for every six people. The Midwest had one account for every 48, and the Western states one for every 18. Sparseness of population, urbanization, and ruggedness of terrain contributes to this disparity somewhat, but does not account for it entirely. Sparsely populated Maine had one account for every 3.8 persons, and mountainous Vermont one for every 2.8 people. The reasons for the inadequacy are varied, but it is sufficient to note that large segments of the

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30 Hamilton, *Savings and Savings Institutions*, pp. 193-198. The breakdown of the groups of states referred to is as follows: New England: Maine, New Hampshire, Vermont, Massachusetts, Connecticut, and Rhode Island; Southern includes all the states of the Confederacy plus Kentucky, West Virginia, and Maryland; Mid-Atlantic: New York, New Jersey, Pennsylvania, and Delaware; Midwest: Ohio, Indiana, Michigan, Illinois, and Wisconsin; Western states includes all those west of the Mississippi River except Texas, Louisiana, and Arkansas.
population in vast areas of the country did not have access to savings banks.

In addition to savings banks, there were other institutions for saving, but these did not fill the gap left by savings banks. Like savings banks, these institutions were concentrated in the New England and Eastern states. Building and loan associations remained primarily in urban areas. School savings banks served only a small segment of the population. Few employers had established banks for their employees, and these were of questionable value. Some commercial banks expanded their facilities to include savings departments, but the commercial aspects of their business interested these banks more than savings. Many commercial banks actually discouraged small savings accounts. "Banker's hours," nine in the morning until two in the afternoon, did not allow laboring people to utilize the banks. In addition to such indirect discouragement to savings, some banks went out of their way to dissuade small savers. In a speech to the Minnesota State Bankers' Association, George E. Roberts, President of the Commercial National Bank of Chicago, indicated his bank's attitude:

... So I would like the privilege of saying for the benefit of any outsiders who may be present, that the bank with which I am connected not only does not invite savings deposits but imposes a prohibitory charge upon all accounts which average less than $300 for the express
Many people did not have confidence in banks and bankers, and with good reason. Tables 2 and 3 below show the number of banks which failed between 1880 and 1910, and the liabilities and dividends paid back to depositors.

Table 2

Number of Failures, Liabilities, and Dividends Paid by National Banks

<table>
<thead>
<tr>
<th>Year</th>
<th>Failure or Insolvent</th>
<th>Liabilities</th>
<th>Dividends Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>1880-1884</td>
<td>19</td>
<td>$13,693,711</td>
<td>$9,755,981</td>
</tr>
<tr>
<td>1885-1889</td>
<td>30</td>
<td>14,048,811</td>
<td>10,447,872</td>
</tr>
<tr>
<td>1890-1894</td>
<td>122</td>
<td>36,331,159</td>
<td>23,334,935</td>
</tr>
<tr>
<td>1895-1899</td>
<td>114</td>
<td>34,236,448</td>
<td>26,982,501</td>
</tr>
<tr>
<td>1900-1904</td>
<td>39</td>
<td>17,334,646</td>
<td>16,289,893</td>
</tr>
<tr>
<td>1905</td>
<td>12</td>
<td>4,923,000</td>
<td>4,399,591</td>
</tr>
<tr>
<td>1906</td>
<td>5</td>
<td>225,781</td>
<td>168,415</td>
</tr>
<tr>
<td>1907</td>
<td>3</td>
<td>844,106</td>
<td>642,386</td>
</tr>
<tr>
<td>1908</td>
<td>9</td>
<td>5,995,117</td>
<td>5,174,916</td>
</tr>
<tr>
<td>1909</td>
<td>3</td>
<td>668,562</td>
<td>564,566</td>
</tr>
<tr>
<td>1910</td>
<td>7</td>
<td>241,250</td>
<td>133,785</td>
</tr>
<tr>
<td>Totals</td>
<td>361</td>
<td>$128,542,591</td>
<td>$97,894,841</td>
</tr>
</tbody>
</table>

Table 2 adapted from Comptroller of the Currency, Annual Report, 1910, pp. 72, 238-239.

George E. Roberts, Objections to a Postal Savings Bank, p. 5.
Table 3

Number of Failures, Liabilities, and Dividends Paid by State and Private Banks

<table>
<thead>
<tr>
<th>Year</th>
<th>Failure or Insolvent</th>
<th>Liabilities</th>
<th>Dividends Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>1880-1884</td>
<td>119</td>
<td>$24,308,316</td>
<td>$13,441,895</td>
</tr>
<tr>
<td>1885-1889</td>
<td>96</td>
<td>$14,588,297</td>
<td>7,596,882</td>
</tr>
<tr>
<td>1890-1894</td>
<td>433</td>
<td>$74,963,530</td>
<td>27,147,830</td>
</tr>
<tr>
<td>1895-1899</td>
<td>394</td>
<td>$58,143,650</td>
<td></td>
</tr>
<tr>
<td>1900-1904</td>
<td>259</td>
<td>$70,868,861</td>
<td></td>
</tr>
<tr>
<td>1905</td>
<td>57</td>
<td>$10,273,023</td>
<td></td>
</tr>
<tr>
<td>1906</td>
<td>37</td>
<td>$7,187,858</td>
<td></td>
</tr>
<tr>
<td>1907</td>
<td>34</td>
<td>$22,165,448</td>
<td></td>
</tr>
<tr>
<td>1908</td>
<td>132</td>
<td>$209,835,443</td>
<td></td>
</tr>
<tr>
<td>1909</td>
<td>60</td>
<td>$25,190,156</td>
<td></td>
</tr>
<tr>
<td>1910</td>
<td>28</td>
<td>$18,182,592</td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td>1649</td>
<td>$535,707,192</td>
<td></td>
</tr>
</tbody>
</table>

*Table 3 adapted from Comptroller of the Currency, Annual Report, 1910, p. 51.*

Although the percentage of failures was not high, the absolute numbers were enough to cause many people to distrust banks. As the tables show, there were 2010 banks that failed in the thirty-one years between 1880 and 1910, or more than 64 banks a year on the average. In particularly bad years, such as 1893, 1897, and 1908, the large number of bank failures had truly nationwide impact.

Mistrust of banks, lack of enough banks to service
the population in many areas, and discouragement of small savings accounts combined to deprive many people of the opportunity to establish savings accounts. The widespread feeling, especially among conservatives, that saving was essential to the promotion of the economy and the stability of society motivated an attempt to correct the lack of savings facilities. The postal savings system appeared the ideal solution. It had proven itself successful in many other countries of the world. The United States postal system had post offices existing in all areas of the country within easy reach of most citizens. The cost of implementing such a savings system would be minimal since no new facilities would be required and most of the functions could be performed by existing employees of the Post Office Department. Confidence in the United States government would obviate the lack of confidence in private banks.

However appealing the postal savings system appeared to some, it encountered stiff opposition, particularly from those who most strenuously advocated the advantages of thrift. Regardless of how advantageous savings accounts could be to society, the postal savings system was not the solution which economic Conservatives desired. Extension of government into an area traditionally reserved to private enterprise was thought to be inimical to the classical concept of laissez faire. Thus the most
determined opposition to postal savings banks came from the staunchest advocates of thrift and savings, the American Bankers' Association.
Chapter II

Postal Savings Proposals, 1873-1908

From its inauguration in 1861, the British postal savings plan was a financial success. By 1863, Englishmen had deposited over four million pounds sterling at their local post offices. The ready acceptance of the system by the British populace recommended it to social and economic reformers elsewhere. It was not long before the idea of postal savings crossed the Atlantic and found advocates in the United States.

Post Civil War America was fertile ground for socio-economic reform. Single-taxers, Knights of Labor, Free-Silverites, Grangers, Populists, and numerous other groups supported reform programs which were entirely or substantially of an economic nature. The postal savings system was compatible with the programs of many of these reformers. As a federally sponsored banking system, it attracted those who favored increased action by government. To those who opposed monopoly and business concentration, the postal savings system offered a way to strike at the

1National Monetary Commission, Postal Savings-Bank Systems, table following p. 128.
most obvious and powerful of monopolies, the banking
industry. The success of the plan, in England and on the
European continent, lent respectability to it. Since many
countries adapted the postal savings system to their own
peculiar requirements, its responsiveness to change was
well established, and this flexibility allowed many diverse
groups to advocate postal savings. Desire to use postal
savings as an economic reform and philanthropic interest
in thrift as a palliative to societal ills provided the
principal arguments for the system in late nineteenth and
early twentieth century America.

Among those advocating a postal savings system were
the People's Party (Populists), who included a demand for
such a system in the Omaha platform of 1892. The postal
savings bank plank was part of the general economic reform
program of the Populists.

We demand a national currency, safe, sound, and
flexible, issued by the general government only,
a full legal tender for all debts, public and
private, and that, without the use of banking
 corporations, a just, equitable, and efficient
means of distribution direct to the people, at
a tax not to exceed two per cent per annum, to
be provided as set forth in the sub-treasury
plan of the Farmers' Alliance. . .
 (a) We demand free and unlimited coinage of
silver and gold at the present legal ratio of
sixteen to one.
 (b) We demand that the amount of circulating
medium be speedily increased to not less than
fifty dollars per capita.
 (e) We demand that postal savings banks be
established by the government for the safe
deposit of the earnings of the people and to facilitate exchange.2

The Populist version of the postal savings system was significantly different from the British plan, calling for the government to assume all of the functions of a bank. This bank would receive deposits and lend money, in each case at two and one half per cent.3 This program had the dual advantage of providing low interest loans to economically beleaguered farmers and attacking the banker, the economic bogey man of the Populists. As the Populist Governor of Kansas, Lorenzo D. Lewelling, explained:

One of the means of contraction of the currency is the holding of money in the bank's vaults. Why does the banker keep it in the bank vaults? Because he is afraid to loan it to you and me, because we may not pay it back. Why don't you put your money in the bank? You say you are afraid the bank will break. . . . You are both "skeered."

What is the remedy? Take the Postal Savings Bank. You can put your money in there and the government is security for it. . . . The bank isn't afraid there will be a run and so the money is kept in circulation and business is stimulated.4

Many of the other programs advocated during the last half of the nineteenth century excited the wrath of the economically orthodox, to whom such schemes seemed radical

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or crackpot. Although postal savings ideas never generated enough support to secure passage of a law enacting such banks, opponents of the system always treated the proposals seriously. Postal savings was never scoffed at or taken lightly. In part this was because of the success of the British and other systems, but it was also attributable to the endorsements postal savings received from numerous leaders in the government and academic community.

During the last half of the nineteenth century several Postmasters General studied the British postal savings depositories, and recommended the adoption of a similar system in America. John A. J. Creswell, Postmaster General during Grant's first administration, was the first high government official to recommend postal savings banks. Creswell's original proposal is unique in that his motivation was neither philanthropic nor economic reform, but profit. He intended to use the proceeds from a postal savings system to finance a government-owned-and-constructed telegraph line. Creswell's Annual Report for 1871 outlined the details of his program. Since the main object of the system was to raise as much money as possible, four per cent interest was to be offered to attract the maximum amount of deposits. The money put in the system was to be invested in U. S. government bonds paying four and one half per cent, and the proceeds used to build the telegraph line. Such a system would have
been in direct competition with commercial banks, and the recommendation received little support. Creswell renewed the same proposal in his 1872 Report, but in the following year changed the plan considerably.\(^5\)

The Panic of 1873 occurred shortly before the Postmaster General wrote his Annual Report for that year. In response to the economic dislocations of that panic, Creswell's revamped postal savings program was aimed at economic reform. Signifying the change in plans was the change in name from "Post-Office Savings-Banks" to "Postal Savings' Depositories." Creswell argued that the Panic of 1873 had been caused by a national money shortage. This money shortage had been created by people hoarding large quantities of money. The hoarders had not deposited their money in banks because they were afraid the banks would fail. If a safe and secure depository could be provided, the hoarders would be induced to deposit their money. The circulating medium would then be returned to the amount minted by the government, which Creswell believed was sufficient for the needs of the country.\(^6\)

Creswell felt a postal savings system backed by the


\(^6\)Postmaster General, Annual Report, 1873, pp.xxxii-xli.
government would provide the confidence necessary to attract the hoarded money. Competition with existing banks would be ended by reducing interest to two and one-half per cent and by limiting the total amount depositable by any individual to $300.00 annually or a total of one thousand dollars.  

Postal Savings-Depositories had more appeal than Creswell's earlier proposal. On December 18, 1873, Representative Horace Maynard (R-Tenn.) introduced HR 797, "To establish and maintain a National Savings Depository as a Branch of the Post-Office Department." Maynard's bill was the first legislative proposal for a postal savings system. HR 797 was referred to committee, but no further action was taken by Congress during that session.

Maynard did not forget the postal savings system, and when Rutheford B. Hayes appointed him Postmaster General in 1880, Maynard included a recommendation for Postal Savings Banks in his Annual Report. In support of his recommendation, Maynard had M. LaRue Harrison, Post-Office inspector, write a memorandum supporting postal savings banks for inclusion in the Report.  

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7Ibid., pp. xli-xliii.

Thomas L. James, Postmaster General under James Garfield, perfunctorily renewed the recommendation in his 1881 Annual Report. Timothy O. Howe, President Arthur's Postmaster General in 1882, also recommended the adoption of a savings system within the post office, but showed little zeal for promoting the project. The two Cleveland administrations (1885-1889, 1893-1897) were the only ones between the Grant and Taft Presidencies in which the Postmaster General did not recommend a postal savings system. Cleveland was, of course, the only Democratic President during that period of time.10

Of all nineteenth century Postmasters General, the most enthusiastic advocate of postal savings banks was John Wanamaker, who held office during the Harrison administration, 1889-1893. Wanamaker repeatedly attempted to introduce two major reforms into the department: parcel post and postal savings. Neither was established while he was in office, but both were later adopted.

It was consistent with Wanamaker's interests that he should advocate postal savings banks. For some time before becoming Postmaster General he had worked to encourage thrift among the poor. He spearheaded a


movement to change Pennsylvania banking laws to allow religious institutions to organize and finance non-profit, self-help savings banks. In 1888 Wanamaker led a group from the Bethany Sunday School in Philadelphia in founding "The First Penny Bank of Philadelphia," and acted as its first president.11

In each of his first three Annual Reports as Postmaster General, Wanamaker recommended a plan for savings depositories within the post office, citing the favorable results achieved in England and the need to encourage thrift as the major reasons favoring adoption.12 The program he outlined was simple and flexible:

I repeat the plan set forth in my last report, which in somewhat fuller detail is as follows: At designated post-offices to receive on deposit sums of not less than $1, which may be in postage stamps on cards to be furnished, interest to be added from the beginning of the next month after deposit, on sums of not less than $10. All deposits to be transmitted to the Secretary of the Treasury, who shall, at the beginning of each half year, fix the rate of interest to be paid to depositors, said interest to be one half per cent less than the current rate at savings funds and private banks at the monetary centers.

The Secretary of the Treasury shall keep account of deposits by States, and, to put the money in circulation, shall offer the funds arising in each State as a loan to the national banks of the same State, at a rate of interest to be fixed by him, and these sums shall be


12Postmaster General, Annual Report, 1889, pp. 29-31; Annual Report, 1890, pp. 11-14; Annual Report, 1891, p.90.
declared trust funds and shall be a preferred claim against the assets of the banks.

Another plan, quite simple and thoroughly practical, would be to issue at the post-offices non-negotiable certificates of postal deposit in sums of $10, $20, $50, and $100, for easy computation, bearing interest at the rate of half a cent a day on a hundred dollars ($1.82 per year), or a little less than two per cent per annum after the first of the month following the date of deposit, and principal and interest payable on demand at any money-order office by proper indorsement and identification under regulations of the Postmaster-General. The money deposited in each State to be reinvested so far as possible in the same State in school or municipal bonds by the Postmaster-General, subject to the approval of the Secretary of the Treasury.

In establishing these depositories due care should be taken to provide first for the States without savings banks. Such a plan, Wanamaker argued, would not compete with existing savings institutions, but would in reality aid them by providing a governmentally guaranteed depository for the timid.

In his final Annual Report, Wanamaker compiled the most comprehensive study of foreign postal savings systems which had appeared to that time. In an effort to provide support for his recommendation of postal savings, he attached this study as an appendix to the Annual Report for 1892. This report also contained a new argument for postal savings depositories: the convenient location of

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13Postmaster General, Annual Report, 1891, p. 92.
14Ibid., pp. 93-94.
post offices vis-à-vis banks to places where farmers and laborers lived and worked.

I have steadily urged for four years the use of the postal arm of the Government to assist the people in the care of their small savings. The plan has been well tried in other countries and continues to be successful, not costly to governments to maintain and highly advantageous to the public. It is the wage people who want the system most, and it is the population outside of cities that petition oftenest and loudest for this convenience. The distances of savings depositories from post-offices (which are intended to be centrally located) were ascertained, on the special request of the Postmaster-General when the county visitor went the rounds of the counties, to average:

<table>
<thead>
<tr>
<th>Region</th>
<th>Miles</th>
</tr>
</thead>
<tbody>
<tr>
<td>New England States</td>
<td>10</td>
</tr>
<tr>
<td>Middle States</td>
<td>25</td>
</tr>
<tr>
<td>Southern States</td>
<td>33</td>
</tr>
<tr>
<td>Western States</td>
<td>26</td>
</tr>
<tr>
<td>Pacific States</td>
<td>52</td>
</tr>
</tbody>
</table>

The satisfaction to a working man, or to a working woman, or to young people at school, or at work, in having within walking distance of their homes, as the post-offices are, a place to put by a part of their earnings, can hardly be estimated, nor can the effect upon a community of such an encouragement of thrift and good citizenship be calculated.

John Wanamaker's efforts to establish a postal savings system did not end when his term as Postmaster General expired. Shortly after the Cleveland administration took office for the second time, the nation underwent one of the severest economic depressions of the nineteenth century, the Panic of 1893. Wanamaker, echoing Creswell's

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conclusions of two decades earlier, was convinced that the Panic of 1893 could have been avoided had the hoarded wealth of the nation been in circulation. This wealth was being hoarded, said Wanamaker, by people who had no faith in banks, particularly the foreign-born. Postal savings depositories would attract this hoarded money out of its hiding places and make it once again useful as a tool of commerce and a medium of exchange, not only because the timid would trust the government where they would not trust bankers, but also because the foreign born were accustomed to depositing money at the post office in their native land, and would resume the practice in America if the opportunity were provided. Wanamaker felt there was at least four hundred million dollars hoarded that should be put into circulation. Throughout the 1890's Wanamaker appeared before business organizations and financial associations to support postal savings. 17

President McKinley's Postmaster General, James A. Gary, recommended postal savings depositories in his Annual Report for 1897, and Theodore Roosevelt's Postmasters General, Henry C. Payne and George B. Cortelyou also supported postal savings banks. Gary's recommendation was enthusiastic, the others were mechanical. Not until George von Lengerke Meyer, who served in the last years of the

Roosevelt administration (1907-1909), was there a Postmaster General who was as strong an advocate of postal savings as John Wanamaker had been.\(^\text{18}\)

The motivations behind the Postmasters General's recommendations for a postal savings system were both philanthropic and economic. Creswell's first plan was as an adjunct to his government telegraph scheme, but was also an economic reform which would have put the government in the banking business in competition with existing commercial banks. Creswell's second plan was purely economic reform, providing governmentally guaranteed savings depositories. John Wanamaker's advocacy of postal savings banks contained elements of economic reform, particularly after the Panic of 1893, but was primarily a means of promoting the welfare of the poor by providing convenient savings depositories and encouraging thrift. The same dichotomy of motivation between economic reform and philanthropy found in the Postmasters General's proposals for postal savings banks can be observed in legislative proposals.

The first bill for postal savings banks, Horace Maynard's 1873 proposal, exhibited the duality of motivation. The first Senate bill for postal savings, introduced

\(^{18}\)Postmaster General, Annual Report, 1897, pp. 24-34; Annual Report, 1903, p. 9; Annual Report, 1906, p. 81.
by John Brown Gordon (D-Ga.) in 1878, was entitled "To promote the deposit of savings and the refunding of the national debt." As indicated by the title, Brown's bill emphasized the economic motivation for postal savings banks. A major issue before Congress in the 1870's was the refunding of the large national debt accumulated through the issue of greenbacks during the Civil War. The Resumption Act of 1875 provided for the redemption of greenbacks at par with gold. The net effect of this action was to reduce the quantity of money in circulation. The Resumption Act was challenged by Southern and Western farmers who wanted an expanded, not a contracted, currency. Brown's proposed postal savings bank was one scheme offered as an alternative method of removing greenbacks from circulation while increasing the currency supply. According to this bill, greenbacks deposited in a postal savings system would be converted into government bonds. On the strength of these bonds, more gold and silver coin would be minted.

The introduction of bills to establish postal savings depositories generally coincided with periods of economic and social upheaval. The introduction of the first bill followed the Panic of 1873. It was not until after the

19 Postal Savings Depositories, pp. 63-66.
social and economic upheavals of 1877 that five more postal savings bills were introduced. Legislative interest in such bills declined during the 1880's but revived in the 1890's. Five bills were proposed in the 52d Congress (1891-1892), and following the Panic of 1893 eleven bills were introduced in the 53d Congress.  

An examination of the seventy-two postal savings bills introduced from the 43d to the 60th Congresses indicates the regional nature of the support for such bills, and the diversity of political and economic motivation behind them. Forty-eight of these 72 bills were introduced by Republicans, only fifteen by Democrats. Six of the bills were introduced by Populists and three by Independents. Of the fifteen Democrats introducing postal savings bills, six were Southerners. Four of those bills introduced by Southern Democrats were in the 45th Congress (1877-1878), and no Southern Democrat introduced a postal savings bill after 1902. The Populists were evenly divided, three from the South and three from the trans-Mississippi West. The Republicans received twenty-four of 48, or half of their postal savings proposals from states west of the Mississippi, 15 from Midwestern states, five from the South, and four from the Middle Atlantic and

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21 Postal Savings Depositories, pp. 63-66. See Appendix A for a comprehensive listing of Postal Savings Bank Legislation introduced into Congress.
The home states of the introducing Congressmen reveals the sectional nature of the support for postal savings banks. Only two of the bills were introduced by New England Representatives, and three by Congressmen from the Middle Atlantic states. In contrast, thirty six of the 72 bills, exactly half, were introduced by men from west of the Mississippi River. Sixteen were introduced by Congressmen from the midwestern states, and thirteen came from Southerners. This indicates that there was considerably more interest in postal savings banks in those states which were poorly served by banking facilities than in those where the banking industry was highly developed. Furthermore, the majority of postal savings bank proposals in Congress came from agrarian states. The antagonism of Populists toward the banking industry and their attempts at economic reform account for some of the support of postal savings proposals from the South and West, but not for the significantly larger number of Republicans than Democrats who sponsored postal savings legislation. Although Democrats supported postal savings in the 1870's and 1880's, alternative proposals for economic reform captured Democratic attention in the

\[22\] Ibid., pp. 63-66.

\[23\] Ibid.
1890's and early part of the twentieth century. The Republicans were reluctant to support these new proposals, and advocated the more conservative postal savings plan as an economic reform measure. None of the numerous postal savings bills introduced between 1873 and 1908 were reported out of committee.  

Strong support for a postal savings bank came from the academic community. In 1902 James Henry Hamilton, professor of sociology at Syracuse University, published a study of Savings and Savings Institutions. Hamilton had studied "applied sociology," or "social economics" as he termed it, at the University of Wisconsin. Savings and Savings Institutions was an expanded version of a doctoral dissertation written while Hamilton was a student in Germany.  

Hamilton's work exemplifies the new approach fostered by the American Economic Association. One of the founders of that Association, Richard T. Ely, was a professor of economics at the University of Wisconsin at the time of Hamilton's Ph.D. studies, and Hamilton often cited Ely in the book. Unlike earlier works, Savings and Savings Institutions did not speculate on the nature and importance

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24 Ibid., pp. 63-66.
25 Hamilton, Savings and Savings Institutions, p. 3.
of savings, but was an investigation of the historical development of the various types of savings institutions and a comparison of their strengths and weaknesses, with copious statistical evidence.

Hamilton began by asserting:

The practice of saving seemed . . . to constitute the most important subject within the field of social economics, or applied sociology, and at the same time it seemed to be the most neglected. The most popular subjects for really scientific treatment of this class within recent years have had to do with such superficial evidence of the well being of the laboring classes as the length of the working day, factory conditions, and the amount of wages. The extent of the savings habit is certainly a more reliable key to the substantial well being of the people, and the extent of the facilities for its development must promise an improvement which enters deeper into the grain of the working classes than the opportunities which generous wages and short hours afford.  

Hamilton proceeded from this assumption to discuss the theory of savings, the educational aspects of saving, and the various types of traditional savings institutions. After describing these savings institutions, Hamilton devotes the last third of the book to postal savings banks, pointing out what seemed to him the evident superiority of postal savings banks:

It is sufficient to recall in a sentence that the economic and social value of a widespread

\[\text{Ibid.}, \ pp. \ 3-4.\]
power in saving has been considered, that the best instruments for developing this power have been reviewed, and that the conclusion has been finally reached that the post-office type is the best adapted to do the work which representatives of the other types leave undone, and that it is on the whole the best fitted to the social needs of people of all sorts and conditions. Having reached this conclusion it may be helpful to close with a review of some of the features which would seem to bring the postal system to the highest stage of perfection.

The following may be enumerated as the most orthodox of these: (a) freedom of withdrawal and of deposit through any office, by post or by wire (where the post-office includes a telegraph service) without cost to the depositor, having regard for the convenience of the working classes, (b) the right of depositing and withdrawing through letter carriers, (c) the distribution of all the net earnings among the depositors in the form of interest.

... ... ...

The postal savings banks are, at the least an invaluable supplement to any other system or systems. It is the only system that assures facilities for saving to every community in the country. It sometimes evidences a capacity for drawing the patronage from other institutions, even to their frequent extinction, as in England; in other cases the existing system continues to thrive and extend its sphere of usefulness, as in France; in any case, under the rivalry of a postal system, and with a statutory provision for the other forms, the law of the survival of the fittest may operate to secure the end in view,—the education of the people in saving.

... ... ...

The savings bank as an institution represents the most conservative, the most logical and the most hopeful scheme for bettering the condition of the laboring classes.27

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Hamilton's work did not bring about an immediate response (only three bills for a postal savings system were introduced in Congress in the three years after publication of *Savings and Savings Institutions*), but it did serve to provide much of the statistical information and supportative arguments used later by proponents of the postal savings bill. Hamilton's major arguments were summarized and undoubtedly gained more influence through publication in such periodicals as *The Annals* of the American Academy of Political and Social Science, the *Quarterly Journal of Economics*, and the *Journal of Sociology*.²⁸

Hamilton was not the only academician to support postal savings banks. The Princeton and Cornell economist, Edwin W. Kemmerer published articles on the Phillipines postal savings bank (for which he was largely responsible) in *The Annals*. Edward T. Heyn of Columbia wrote an article in the November 1896 issue of *The Annals* advocating postal savings banks for America. Many articles in support of postal savings banks by English and other European scholars appeared in both popular and scholarly publications.

Hamilton and other economists made speeches in support of postal savings. But Hamilton's work was the best factual investigation of savings institutions and the most widely quoted academic proposal for postal savings.\textsuperscript{29}

Proposals for postal savings banks might never have been enacted into law if the Panic of 1907 had not initiated a far reaching reorganization of the entire financial system of the United States. The panic began in New York in October, 1907 with a run on several important Trust companies, and spread to the Stock Exchange when speculators found themselves unable to borrow money to meet their obligations. The impact of the panic spread throughout the nation as overextended or shortsighted bankers were caught without enough cash on hand to meet the demand, and were forced to close.\textsuperscript{30} In all, 132 bank failures were reported to the Comptroller of the Currency between October 1, 1907 and September 30, 1908. The excesses of liabilities over assets amounted to $32,762,085.


Since the passage of the National Bank Act of 1864, only the Panic of 1893 had resulted in more bank failures. 31 The number of failures does not indicate the number of banks which closed and then reopened, either by suspending specie payments, restricting cash transactions to a minimum daily amount, consolidating with another, more financially sound institution, or issuing script in lieu of specie. During the Panic of 1907, suspensions were more general, and lasted longer, up to two months in some cities, than in any previous panic. 32 The demand for financial reform which the Panic engendered outlasted the depression which followed it, and resulted in the most extensive changes in the financial structure of the nation since the National Bank Act of 1864.

The federal government's response to the Panic was immediate and far reaching. At the start of the panic, President Roosevelt sent Secretary of the Treasury George B. Cortelyou33 to New York with large sums of government money to deposit in an attempt to forestall a financial crisis. J. P. Morgan headed a rescue committee which bailed out some shaky institutions while allowing others to fail. Both attempts failed to stop the rush on banks and

32 Robertson, History of the American Economy, pp. 326-327.
disruption of the economy, and the Panic of 1907 was followed by a sluggish recovery that dragged throughout the rest of the decade.\textsuperscript{34}

Congress responded quickly to the Panic of 1907 with the passage of the Aldrich-Vreeland Act in 1908. The act, intended as a stopgap measure, authorized the organization of "national currency associations" to be composed of not less than ten financially sound banks. These associations could issue emergency bank notes against the security of their collective bonds and commercial paper.\textsuperscript{35} The underlying assumption behind the act was that the economy suffered from an "inelastic currency" which could not expand and contract with the needs of the business community, thereby causing financial panics.

The Aldrich-Vreeland Act also established a joint Congressional Committee to investigate the nation's economy and make recommendations. This committee, known as the National Monetary Commission, contained nine members from each house, and was headed initially by Senator Nelson Aldrich (R-R.I.) from 1908 to 1910, and then by Representative Arsene Pujo (D-La.) from 1910 to 1912. The

\begin{footnotesize}
\begin{itemize}
  \item\textsuperscript{33} Cortelyou moved from Postmaster General to Secretary of the Treasury in 1907.
  \item\textsuperscript{34} Robertson, History of the American Economy, p. 327, and Mowry, Era of Theodore Roosevelt, pp. 218-219.
  \item\textsuperscript{35} Congressional Record, 60 Cong., 1 Sess. (1908), XVII, 6319-6320.
\end{itemize}
\end{footnotesize}
voluminous studies of this Commission reflected the concern over the "inelasticity" of the currency, and helped shape the Federal Reserve system adopted in 1913.\(^{36}\)

The Aldrich-Vreeland Act and the creation of the Federal Reserve system provided some safeguards for bankers and businessmen against the vicissitudes of financial panics, but they afforded no protection for the individual depositor who stood to lose a substantial portion, or all, of his life savings in economic dislocations. As the Presidential election of 1908 approached, the record number of bank failures and the continuing depression generated a widespread demand for a reform of the banking industry which would insure that the savings depositor would not lose his money during future panics.

Reform proposals to safeguard savings were numerous, but the most important were a postal savings system and a plan for governmentally guaranteed deposits. The postal savings system would have met the demand for reform by providing a location where savings could be deposited with the assurance that the United States government would guarantee repayment. Competing with the postal savings system was the proposal for governmentally sponsored deposit insurance associated with William Jennings Bryan, the

\(^{36}\)Robertson, History of the American Economy, pp. 325-330, and Congressional Record, 62 Cong., 1 Sess. (1911), XIX, 3162.
Democratic Presidential nominee in 1908.

Bryan felt that the fundamental problem with the financial organization of the country was a banking system in which each bank operated separately and could neither give nor receive support from other banks in times of economic crisis. The "national currency associations" created by the Aldrich-Vreeland Act were designed to remedy this problem, but Bryan advocated an alternate solution. As early as 1893 Bryan had proposed a guarantee fund raised by a tax on deposits and administered by the federal government. By using the insurance fund to save insolvent banks, Bryan hoped to give assurance to depositors and prevent the spread of financial panics. Supplementing the insurance program, Bryan advocated national and state laws to outlaw gambling on boards of trade, deals in futures and options, and speculation on securities.²³ Bryan was able to have his deposit insurance plan included as a major plank in the Democratic platform of 1908. The rhetoric of the banking proposal indicates the suspicion of the "money trust" with which Bryan and other agrarian reformers viewed the banking industry.

proof that it is either unwilling or incompetent to protect the interest of the general public. It has so linked the country to Wall Street that the sins of the speculators are visited upon the whole people. While refusing to rescue the wealth producers from spoliation at the hands of the stock gamblers and speculators in farm products, it has deposited Treasury funds, without interest and without competition, in favorite banks. It has used an emergency for which it is largely responsible to force through Congress a bill changing the basis of bank currency and inviting market manipulation, and has failed to give to the 15,000,000 depositors of the country protection in their savings.

We believe that in so far as the needs of commerce require an emergency currency, such currency should be issued and controlled by the Federal Government, and loaned on adequate security to National and State banks. We pledge ourselves to legislation under which the national banks shall be required to establish a guarantee fund for the prompt payment of the depositors of any insolvent national bank, under an equitable system which shall be available to all State banking institutions wishing to use it.38

The Democratic platform also endorsed postal savings banks, but only if deposit insurance could not be secured. Support of postal savings banks was qualified by a commitment to keeping the deposits of such a system in the local communities and away from the major banking interests.

We favor a postal savings bank if the guaranteed bank cannot be secured, and that it be constituted so as to keep the deposited money in the communities where it is established. But we condemn the policy of the Republican party in providing postal savings

banks under a plan of conduct by which they will aggregate the deposits of the rural communities and redeposit the same while under Government charge in the banks of Wall street, thus depleting the circulating medium of the producing regions and unjustly favoring the speculative markets. 39

The proposal for guaranteed bank deposits was popular among the farmers of the South and Great Plains who traditionally supported the Democrats. One state had actually put such a plan into effect. When Oklahoma was admitted to the union in November, 1907, shortly after the financial crisis of October, one of the first acts of the new state legislature was to pass a law establishing a system of deposit insurance similar to the Bryan plan. Under the Oklahoma plan, existing banks were assessed one per cent of their daily average deposits of the preceding year to create a depositors' guarantee fund. New banks had to contribute three per cent of their capital stock to the fund. Whenever a bank became insolvent, the State Banking Commissioner assumed operation of the bank and made good the deposits. If there was a drain of money within the guarantee fund such that the total fund fell below one per cent of the total deposits of all banks in the state, a special assessment was made on the remaining solvent institutions to cover the deficiency. 40

39 Ibid., p. 147.
40 State of Oklahoma, Session Laws, 1907-1908, Chapter Six, Article II, pp. 139-142.
Deposit guarantee insurance, either of the Bryan or Oklahoma variety, was repugnant to much of the banking community. Bryan's proposal to limit the types of investment which banks could make precluded many of the lucrative ventures which traditionally had provided large profits. Speculation in securities, futures and options, although presenting a greater risk than other forms of investment, also provided a larger return. Most of this type of speculation was done by the larger banks near the centers of business and finance, and they stood to lose far more from Bryan's proposal than the small town and rural banks whose investments were largely in the areas of land, construction, and government bonds. The assessment proposed by Bryan and contained in the Oklahoma law was particularly hard on the larger banks, especially those whose deposits included accounts with a high turnover rate, such as those of large businesses whose day to day activity involved the exchange of large amounts over short time periods. This money was not available to the banks for investment, and yet they would be forced to pay taxes on it. Again the smaller banks with more stable savings accounts providing the bulk of their deposits were affected less than the large banks.41

It was also the small banks who stood to benefit most from a deposit guarantee system. In times of panic large banks might be forced to close but could consolidate and reopen. Small banks made up the bulk of the banks forced out of existence by insolvency. Of the banks that failed in the reporting year 1908, the state banks averaged $1,030,000 in deposits, the savings banks averaged $632,000, private banks averaged $620,000, and the loan and trust companies $5,050,000. While the smaller institutions represented 80.3 per cent of the failures, the institutions with more than $2,000,000 average deposits represented only 19.7 per cent of the insolvent banks. This trend is even more accentuated in periods of prosperity. In the ten year period 1898-1907, a decade of relatively stable economic conditions, the 588 insolvent banks had average deposits of only $217,725.42

While Bryan and the Democrats had come out strongly for deposit insurance, the Republicans opted for the more conservative approach, a postal savings system. Although both deposit insurance and postal savings involved the government in the banking industry, the postal savings system would not require the federal regulation of the banks to the extent that deposit insurance would. The

Republicans also argued that postal savings would be more beneficial to the economy than deposit insurance. They felt many people would remain suspicious of banks, even with deposit insurance, and therefore the postal savings system would draw more money out of hoards. If the postal savings system were successful in drawing out more money it would contribute to the alleviation of the inelastic currency situation.\footnote{William Howard Taft, "The difference between postal savings banks and guaranteed bank deposits," \textit{Political Issues}, I (1908), 141-146.}

President Roosevelt endorsed postal savings in his December 7, 1907 State of the Union message, citing the encouragement of thrift, the need to provide protection from financial panics, and the shrinkage of currency in circulation caused by hoarding.

I commend to the favorable consideration of the Congress a postal savings-bank system, as recommended by the postmaster-general. The primary object is to encourage among our people economy and thrift and by the use of postal savings-banks to give them an opportunity to husband their resources, particularly those who have not the facilities at hand for depositing their money in savings-banks. Viewed, however, from the experience of the past few weeks, it is evident that the advantages of such an institution are still more far reaching. Timid depositors have withdrawn their savings for the time being from national banks, trust companies, and savings-banks; individuals have hoarded their cash and the working men their earnings; all of which money has been withheld and kept in hiding or in safe-deposit box to the
detriment of prosperity. Through the agency of the postal savings-banks such money would be restored to the channels of trade, to the mutual benefit of capital and labor.\textsuperscript{44}

Although no action was taken on Roosevelt's proposal, the Republican platform of 1908 unequivocally supported "the establishment of a postal savings bank system for the convenience of the people and the encouragement of thrift."\textsuperscript{45} William Howard Taft, the Republican Presidential nominee, was a staunch supporter of postal savings. In 1906, while Governor of the Phillipines, Taft had obtained the services of Edwin W. Kemmerer to draft a postal savings bank bill, and had secured passage of the bill by the Phillipines Commission.\textsuperscript{46}

In his acceptance speech to the Republican convention in Cincinnati, Taft emphasized his preference for postal savings and objections to deposit insurance.

In addition to this, the Republican platform recommends the adoption of a postal-savings-bank system in which, of course, the Government would become responsible to the depositors for the payment of principal and interest. . . . It will bring to everyone, however remote from financial centers, a place of perfect safety for deposits, with interest return. . . . The

\textsuperscript{44}Hermann Hagedorn, ed., \textit{The Works of Theodore Roosevelt}, Vol. XVII, 534.

\textsuperscript{45}Porter and Johnson, \textit{National Party Platforms}, p. 159.

system of postal savings banks has been tried in so many countries successfully that it cannot be regarded longer as a new and untried experiment.

The Democratic platform recommends a tax upon National banks and upon such State banks as may come in, in the nature of enforced insurance, to raise a guaranty [sic] fund to pay the depositors of any bank which fails. How State banks can be included in such a scheme under the Constitution is left in the twilight zone of State's rights and Federalism so frequently dimming the meaning and purpose of the promises of the platform. If they come in under such a system, they must necessarily be brought within the closest National control, and so they must really cease to be State banks and become National banks.

The proposition is to tax the honest and prudent banker to make up for the dishonesty and imprudence of others. . . In short, the proposal is wholly impractical unless it is to be accompanied by a complete revolution in our banking system, with a supervision so close as practically to create a government bank. . .

The Democratic party announces its adhesion to this plan, and only recommends the tried system of postal savings banks as an alternative if the new experimental panacea is not available. The Republican party prefers the postal savings banks as one tried, safe, and known to be effective, and as reaching many more people now without banking facilities than the new system proposed.47

Throughout the Presidential campaign of 1908 Bryan and Taft maintained their opposing views. The election was a lopsided victory for Taft and the Republicans: Taft carried all the states except the former Confederate States, Nebraska, Nevada, Colorado, Oklahoma, Kentucky and Maryland. The Republicans controlled both houses of

Congress with comfortable majorities, 219 to 172 in the House of Representatives, and 61 to 32 in the Senate. With Taft in the White House and the Republican majorities in Congress committed to postal savings legislation, prospects for passage of a postal savings bill in the Sixty-first Congress were better than in any previous Congress.

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Chapter III

The Passage of the Postal Savings Bill

When William Howard Taft was inaugurated President in March, 1909, the economy of the United States had not fully recovered from the Panic of 1907. The persistence of the depression served as a constant reminder of the need for a major reorganization of the country's monetary and banking system. The Aldrich-Vreeland Act had established the National Monetary Commission to study the economic needs of the country and propose a solution. The new Republican administration preferred not to get embroiled in the controversial and complex issues involved, and deferred action on an overall change until the Commission made its report.

While procrastinating on the larger issue of banking reform, Taft was determined to push for a postal savings system as soon as possible. He outlined his desires in his Inaugural Address:

The incoming Congress should promptly fulfil the promise of the Republican platform and pass a proper postal-savings bank bill. It will not be unwise or excessive paternalism. The promise to repay by the Government will furnish an inducement to savings deposits which private
enterprise can not supply and at such a low rate of interest as not to withdraw custom from existing banks. It will substantially increase the funds available for investment as capital in useful enterprises. It will furnish the absolute security which makes the proposed scheme of government guaranty of deposits so alluring, without its pernicious results.¹

Persistent agitation for governmental action to insure the safety of the nation's savings and the growing popularity of deposit insurance lent urgency to the Republican proposals for postal savings. During the 1908 election campaign Bryan had persistently advocated deposit insurance, and by September, 1909, Kansas, Nebraska, South Dakota and Texas had adopted deposit guarantee plans similar to the one in Oklahoma.² If the Republicans were to prevent adoption of a national deposit guarantee law, or additional state plans, they needed to implement their alternative for insuring the safety of deposits, postal savings banks, before deposit guarantee programs gained any more headway.

During the campaign of 1908, postal savings and deposit insurance encountered stiff opposition from the American Bankers' Association. The ABA had gone on record as opposing both plans in 1907, and carried out an extensive propaganda effort during the summer of 1908.³ As the

¹Taft, Presidential Addresses and State Papers, I, 61.
Presidential campaign was drawing to a close, Republican supporters of postal savings banks attempted to gain the cooperation of the ABA, arguing that some reform was necessary, and that bankers should find postal savings preferable to deposit insurance.

George von Lengerke Meyer, then Roosevelt's Postmaster General and a staunch supporter of postal savings legislation, contacted A. Barton Hepburn to arrange the details of the proposed cooperation. Hepburn was President of the Chase National Bank of New York City, Chairman of the ABA's influential Currency Commission, and a loyal Republican. In his capacity with the ABA, Hepburn would later work with Nelson Aldrich and the National Monetary Commission to draft several monetary reform proposals. Meyer and Hepburn "agreed for educational literature [opposing a deposit guarantee] to be distributed [by the ABA] among western bankers and prepared to have speakers at the Denver [ABA] convention" to oppose Bryan's plan.  

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4. ABA, Proceedings, 1908, p. 18.

5. Meyer to Taft, September 2, 1908, Meyer Papers, Massachusetts Historical Society, as quoted in Robert H. Wiebe, Businessmen and Reform, p. 115.
Hepburn was not successful in reversing the ABA's opposition to postal savings, but was able to bring about a marked shift in emphasis in the ABA stand. The time of this move was critical, for the 1908 ABA convention met from September 28 through October 2, only a month prior to the Presidential elections. Throughout the convention bankers attending sessions were treated to a concerted attack against deposit insurance, and left Denver convinced of the dangers Bryan's scheme posed. By concentrating the attention of bankers on deposit insurance, the Republicans hoped to lessen banker opposition to postal savings.

The assault began as soon as the welcoming speeches were concluded. J. D. Powers, President of the Continental National Bank of Chicago and outgoing President of the ABA, devoted over half of his annual address to a condemnation of guaranteed deposits while not once mentioning postal savings. During the second morning's proceedings, Alexander Gilbert, President of the Market and Fulton National Bank of New York City and also President of the New York Clearing House, spoke on "Vital Issues" of the day. Gilbert explained the actions of the New York Clearing House during the Panic of 1907, why the government had been

forced to act as it had, and then proceeded to ridicule and censure deposit insurance and the Democrats for proposing such a scheme. Apparently Gilbert did not consider postal savings a "vital issue," because he did not once mention that proposal in his speech. On the afternoon of the second day of the convention, Festus J. Wade, President of the Mercantile Trust Company of St. Louis, presented an evaluation of guaranteed bank deposits, concluding that the only valid way of guaranteeing deposits was for bankers to invest their funds wisely, and that the Democratic scheme had no merit and should be condemned by the entire banking community.

But for the actions of members from the floor, the attention of the ABA would have been focused exclusively on deposit insurance to the benefit of postal savings. On the second day of the convention, the Federal Legislative Committee reported its opposition to guaranteed bank deposit laws, and proposed a resolution to that effect for adoption by the convention. A member of the ABA, identified in the Proceedings only as Major Breckinridge of Arkansas, offered a substitute motion stating the banker's opposition to both guaranteed deposit and postal savings legislation. During the discussion which followed,

7 Ibid., pp. 255-264.
8 Ibid., pp. 274-282.
representatives of commercial banks and banks from large metropolitan areas spoke in opposition to Breckinridge's proposal (while not supporting postal savings openly), while bankers from smaller towns and rural areas supported it. Festus Wade succeeded in dividing the issues for two separate votes, one on the ABA's opposition to guaranteed deposits and the other on the ABA's opposition to postal savings. Despite the parliamentary maneuvering, both proposals carried, although there is no indication in the Proceedings by what margin.9

Speeches from the floor on the two proposals indicate the division of opinion among bankers. Commercial bankers and other large banks opposed guaranteed deposit legislation, while rural and small town bankers feared postal savings banks more than deposit insurance. But Hepburn's attempt was at least partially successful. The majority of the discussion at the ABA convention centered on deposit insurance and the dangers it posed to the banking community. The discussion of postal savings took place at the business meeting, which was sparcely attended.10 Banker opposition was moderated during the balance of the election campaign, and the Republicans won the Presidency. But in pushing so hard for banker support during the

9Ibid., pp. 282-305.
10Ibid., pp. 274-275, 282-284.
campaign, the Republicans almost outmaneuvered themselves. Before platform promises could be translated into legislation, massive opposition to a postal savings system developed within the banking community.

Several postal savings bills were introduced in Congress after the Presidential election of 1908. The Senate Post Office and Post Roads Committee had favorably reported a postal savings bill during the lame duck session of the 60th Congress, but that Congress's term expired before action could be taken on the bill. Several postal savings bills were introduced in the first session of the 61st Congress, but parliamentary maneuvering by Democrats and lengthy committee hearings prevented Congressional action before that session of Congress adjourned in August, 1909. Postal savings legislation was thus delayed until the second session of the 61st Congress, which convened in December, 1909.

By the time Congress met for the second session, banker opposition to postal savings legislation was well organized. The groundwork for the bankers' resistance was laid at the same Denver ABA convention where Hepburn had worked to focus attention on deposit insurance. The ABA contained several subdivisions which held separate

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meetings during the bankers' conventions. One of these
groups, the Savings Bank Section, was not persuaded that
deposit insurance was a significant threat to their
businesses. Savings banks would be relatively unaffected
by guarantee legislation, while postal savings banks would
compete for the same deposits which formed the bulk of
savings bank business. While the main body of the ABA
convention was occupied in discussions of the dangers of
deposit insurance, the Savings Bank Section was ignoring
that question and was establishing a committee to lobby
against postal savings legislation.\footnote{12}

The Postal Savings Bank Committee of the Savings
Bank Section was chaired by Lucius Teter, President of
the Chicago Savings Bank and Trust Company, and was given
a substantial appropriation by the Savings Bank Section
to conduct its campaign. Teter began his assault shortly
after the Presidential election of 1908. On November 16,
1908, the Postal Savings Bank Committee met in New York
with the executive officers of the Savings Bank Section.
At the meeting plans were laid to "carry on a thorough
and fair-minded campaign of education in reference to
the savings bank situation throughout the United States
and the relation of the banks to the people."\footnote{13}

\footnote{12}{ABA, Proceedings, 1909, Savings Bank Section, p. 37.}
\footnote{13}{Ibid., pp. 37-38.}
On November 24 the Postal Savings Bank Committee mailed a packet to all banks in the United States. This packet contained a copy of the Carter postal savings bill, resolutions passed by the Savings Bank Section against postal savings legislation, copies of speeches opposing postal savings, and "a press summary to be used by bankers in advising their local papers as to the facts in reference to the situation." To the press summary was clipped this note:

Each banker receiving these press suggestions is requested to present them to the publisher of the local newspaper, with the request that editorials and write ups be prepared setting forth the arguments showing the real tendency and effects of postal savings bank legislation.

Postal Savings Bank Committee
American Bankers' Association

[And in smaller type]

(Please remove this slip when handing to newspaper.)

Teter's committee sent a follow-up mailing on February 25, 1909, and continued the correspondence throughout the year. By the time of the 1909 ABA convention, the Postal Savings Bank Committee had spent $1,067,22 for stationery and printing of circulars, and

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14 Ibid., p. 38.
15 Congressional Record, 61 Cong., 1 Sess. (1909), XLIV, Part 1, 257-258.
$1,346.00 for postage. And the activities of the committee were not confined to letters. Teter testified at the hearings on the postal savings bill held by the House Committee on the Post Office and Post Roads. William Hanhart, secretary of the Postal Savings Bank Committee, compiled statistics to show that the Comptroller of the Currency's figures on banking activities were significantly low, and that private banks provided better service to the nation than the Comptroller's reports indicated. Several speakers were engaged by the ABA committee to argue the case against postal savings legislation to various audiences.

Teter worked extensively with state banking associations, providing literature and speakers and encouraging the state banking conventions to pass resolutions against postal savings legislation. During the year 1909, nineteen state bankers' conventions passed resolutions opposing postal savings legislation and urging the ABA to do likewise. Teter's tactic of working through the state banking associations was successful because of the nature of the membership of

17 Ibid.
18 Ibid., p. 39.
such organizations. Although the ABA was dominated on
the national level by commercial bankers, particularly
from the Midwest, the state associations were controlled
by rural and small town bankers who felt directly
threatened by postal savings depositories. 19

The efforts of the Postal Savings Bank Committee
were successful in forcing the ABA into a more active role
in opposing postal savings legislation. When the ABA
convention was held in Chicago from September 13 through
17, 1909, postal savings banks drew more criticism than
deposit insurance. To some extent deposit insurance may
have seemed less important to the bankers after the
defeat of Bryan, but legislatures in four states had
enacted guarantee in the previous year. The ABA's
Federal Legislative Committee devoted the bulk of its
report to condemning the proposed postal savings system,
and offered resolutions opposing such legislation to the
convention. The Savings Bank Section commended Teter
and his committee for their work, and continued the Postal
Savings Bank Committee intact for the following year. 20
The Republican effort to win ABA support for postal
savings banks had been unsuccessful.

19 For an analysis of the memberships of the ABA and
State Banking Associations, see Robert H. Wiebe, Businessmen
and Reform, pp. 24-25.

20 ABA, Proceedings, 1909, pp. 245-253, and ABA,
Proceedings, 1909, Savings Bank Section, p. 41.
Postal savings was not the only issue where the Republicans had encountered difficulty. Taft had pledged himself to tariff reform, but the Payne-Aldrich Tariff, passed by Congress in August, 1909, had aroused the ire of Western Insurgent Republicans. After Congress adjourned, the President embarked on a political fence mending tour to the upper Midwest. This trip brought Taft to Chicago in September, and he took the occasion to attend the ABA's 1909 convention. While at the convention, the bankers' stiff opposition to postal savings and the failure of the Republican attempts became apparent to Taft. The President was nevertheless determined to secure passage of postal savings legislation in the upcoming session of Congress.

Taft had remained publicly silent on postal savings since his Inaugural Address, but the day after attending the ABA convention, the President began a campaign to elicit public support for his program. The occasion for initiating his effort was a speech Taft delivered at the Wisconsin State Fair on September 17. The selection of that occasion was politically astute, for the audience was largely composed of farmers who could be counted on to be sympathetic towards postal savings. Taft expressed his displeasure with the ABA actions and his determination to press for postal savings legislation despite the bankers' opposition.
I observed yesterday in the convention of bankers the proposition [postal savings legislation] was urgently and ably fought. Nevertheless, it seems to me, looking at it from a larger field of view possibly than bankers can have, because we are all subject to the prejudices of our profession... I believe that the arguments in favor of instituting such a system, backed up by the experience of so many other nations as those I have named to you, justify our going into the business of encouraging our people by something that will be inexpensive to the Government, encouraging our people, those of them who have not the sense of security in private banks, encouraging them to a thrift and furnishing the means by which they shall save on small interest.

On November 10, 1909, Taft addressed an audience in Richmond, Virginia, on the legislation he felt should be acted upon in the coming session of Congress. Although still procrastinating on monetary reform, the President was insistent on the desirability of postal savings banks.

Then I am strongly in favor of a postal savings bank. I know that in that proposition I come up against a great many conservative bankers, and also of a great many who view with doubt the wisdom of extending paternalism in the Government, but I venture to think that a project ought not to be condemned merely by calling it paternal. We have got beyond the laissez-faire doctrine in our Government; and where it happens that the Government is so situated that it can do a thing better than individuals can do it, can do it more economically than individuals can do it, and can supply a want for a means of thrift, I am in favor of its doing it.

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21 Taft, Presidential Addresses, I, 207-208.

22 Ibid., p. 428.
When Congress met in December, Taft called for an early passage of postal savings legislation in his State of the Union message.

The second subject worthy of mention in the Post-Office Department is the real necessity and entire practicability of establishing postal savings banks.

I believe them to be necessary in order to offer a proper inducement to thrift and saving to a great many people of small means who do not now have banking facilities, and to whom such a system would offer an opportunity for the accumulation of capital. They will furnish a satisfactory substitute, based on sound principle and actual successful trial in nearly all the countries of the world, for the system of government guaranty of deposits now being adopted in several Western States, which with deference to those who advocate it seems to me to have in it the seeds of demoralization to conservative banking and certain financial disaster. 23

The basis for speedy passage of a postal savings bill in the Senate had been prepared by Thomas H. Carter (R-Mont.), Chairman of the Senate Committee on Post Offices and Post Roads. Carter had long supported postal savings legislation, and took charge of guiding the bill through the Senate. Carter had introduced postal savings bills in the 60th Congress, and had introduced the administration sponsored bill (S. 2763) in the first session of the 61st Congress. Hearings had been held by Carter's committee during the first session of Congress,

23Ibid., pp. 481-482.
and hearings resumed as soon as Congress reconvened in December, 1909.\(^{24}\)

As the hearings proceeded, numerous objections were made to the bill as originally introduced, but of particular importance to Carter were criticism of his proposal by potential supporters of the bill, particularly Senators Jacob H. Gallinger (R-N.H.) and Elihu Root (R-N.Y.). These objections centered around the administrative procedures to be followed in handling the deposits. The original bill spelled out the management of funds and procedures to be followed, and placed numerous safeguards in the system to insure scrupulous handling of monies. For example, according to S. 2763, when a deposit was made at a post office, the postmaster should enter the amount in an account book, and at the conclusion of the day's business write a letter to the Postmaster General providing the name, date and amount deposited by each patron. Upon receipt of this information, the Postmaster General would send notice to each depositor that the transaction had been reported to Washington.\(^{25}\)

Numerous Senators, among the most vocal of whom was Gallinger, objected to the paperwork and expense of


\(^{25}\) Ibid., p. 1281.
Carter's original proposal. Still other Senators had differing ideas as to how to administer the program, and attempted to change the administration to support their own views. One such proposal was that of Senator Weldon B. Heyburn (R-Id.), who desired a savings card rather than a savings passbook. Stamps could be affixed to the card instead of entries being made in a passbook, and the card could be deposited in the postal savings bank when it had been filled.\textsuperscript{26} To avoid such controversies, Carter changed the bill by deleting all references to administrative procedures, and establishing instead a Board of Trustees, composed of the Postmaster General, Attorney General, and the Secretary of the Treasury, to prescribe the rules and procedures of postal savings operations.\textsuperscript{27}

The revision of the bill occasioned by the establishment of the Board of Trustees required such extensive changes that Carter wrote an entirely new bill which he introduced on Thursday, January 27, 1910. The bill was enrolled as S. 5876 and referred to Carter's committee. The following day the bill was favorably reported back to the Senate, along with a report outlining the reasons why the committee favored adoption of the

\textsuperscript{26}Ibid., p. 1282.

\textsuperscript{27}Ibid., pp. 1252-1253.
postal savings system. One other change to the original bill was included in the new version. Because the assault by the bankers was gaining momentum, and one of their most telling arguments was the competition postal savings banks would provide for existing banks, the name of the institutions which would be established was changed from "postal savings banks" to "postal savings depositories." The change in name did not denote any change in function, but was obviously designed to lessen the impact of bankers' objections. All references to postal savings bank were carefully avoided in the bill, and thereafter only rarely did a supporter of the postal savings system refer to them as banks.

The new bill, as reported out of committee, provided for the establishment of postal savings depositories initially at Presidential post offices. These were post offices in larger cities and towns where a money order business was already established, thus facilitating the establishment of the postal savings system. The Board of Trustees would then provide for the gradual

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28 Ibid., pp. 1140, 1258-1281. The report is Senate Report No. 125.


30 The post offices of the United States are divided into four classes, based on the amount of money they take in each year. Those with receipts of more than $40,000 a year are first class, $8,000-40,000 second class, $1,500-8,000 third class. Postmasters of these three classes are appointed by the President, hence are Presidential offices.
extension of service to fourth class (less than $1,500 in annual receipts) post offices. Accounts, in even dollar amounts, could be opened by anyone over ten years of age, but a maximum of $100 per month and a total balance of $500 was placed on each depositor. Interest was fixed at two per cent per annum, and the receipts were to be deposited by the local postmaster at state and national banks in the "immediate neighborhood" at $2\frac{1}{2}$ per cent annual interest.

On Monday, January 31, 1910, Carter secured consent from the Senate and placed S. 5876 on the calendar for consideration. In his speech calling for passage, Carter outlined the reasons for supporting the bill: the United States was one of the few countries which did not have a postal savings system; it was a system which had been proven successful in other countries; postal savings had the support of numerous Postmasters General, President Taft and various economists; by drawing money out of hoards and building public confidence in the country's financial system, it would be beneficial to the economy; and, it would be an economical system to establish and operate and yet would extend service to the most remote areas. The most cogent reason for passage, and the

\[31\] Congressional Record, 61 Cong., 2 Sess., XLV, Part 2, p. 1252.

\[32\] Ibid., pp. 1253-1281.
main reason for the bill, Carter argued, was the promotion of thrift.

The prime purpose of the measure is to encourage thrift among the masses of the people by furnishing widely distributed, convenient, and absolutely safe depositories wherein small sums may be placed at a low rate of interest, with the faith and credit of the Government pledged to the repayment of principal and interest on demand. All thoughtful men agree that the best interest of government and society are promoted by encouraging habits of industry, frugality, and thrift. The thrifty man is rarely a bad citizen, and good citizenship is the embodiment of respect for law and order. That which tends to promote thrift and to discourage reckless extravagance must inevitably tend to suppress vice and encourage virtue. The man whose earnings are being husbanded and cared for by the Government will be more loyal and devoted to the institutions of his country. The man who spends all he makes and never attempts to save is a raw recruit headed either for the jail, the poorhouse, or the charity of friends.33

On February 1 debate began on the Senate floor on the postal savings bill, and continued throughout the month. Although numerous changes to the bill were proposed, the most controversial problem concerned the disposition of the deposited funds. Most of the postal savings systems of the other countries invested their funds in the public debt, but this was not possible in the United States because the public debt was smaller than anticipated income, and was already tied up as

33Ibid., p. 1254.
security for national bank notes. Since the solution used by other countries was not applicable to the United States, a new solution was required. As the debate in the Senate evolved, various possible solutions were explored. The requirements for the investment plan needed to satisfy five criteria: (1) the funds invested must be protected against possible losses, either to the government or to the depositor; (2) a substantial portion of the money invested needed to be readily available, as postal savings were demand deposits; (3) the investments had to yield sufficient profit to insure payment of both the interest on deposits and the cost of administering the system; (4) the deposits had to be kept, as nearly as possible, in the community where deposited; and (5) investments had to be made in such a way as to pose no Constitutional objection to the operation of the system.34

In the version of S. 5876 reported out of committee, funds were to be deposited (except for a ten per cent reserve fund maintained in Washington by the Secretary of the Treasury) in local banks at not less than 2½ per cent interest. In case there was more than one bank in a community, deposits were to be divided among the banks in proportion to the capital and surplus of each

34Ibid., pp. 1253-1281.
bank. The receiving banks were to secure the deposits with indemnity bonds or other collateral as prescribed by the Board of Trustees. Money deposited in the banks was not to be withdrawn except to repay the original depositors when demanded.\(^{35}\)

There was general agreement among both opponents and supporters of postal savings that deposits should remain in the local communities, but opponents, particularly Senator Augustus Bacon (D-Ga.), complained that the system could not insure that deposits in local banks would not eventually wind up in large financial centers. The National Banking Act of 1863 required national banks to deposit a portion of their reserves in larger city's banks, known as reserve city banks. Reserve city banks then deposited part of their reserves in New York. No postal savings law could alter this chain reaction without also altering the banking system of the country, and despite Bacon's continuing objections no change was made in this portion of the bill.\(^{36}\)

During the course of Senate debate on the bill, various minor amendments were added to section seven to insure the safety of deposits, the ready accessibility of funds, and that the rate of interest was flexible

\(^{35}\)Ibid., p. 1252.

\(^{36}\)Ibid., p. 1256.
enough to yield sufficient profit to operate the system without cost to the government. The problem of a valid Constitutional construction of the bill proved to be somewhat vexing, and resulted in a major revision of the investment plan.

The Constitutionality of the bill was originally argued by Carter under the "general welfare" clause, but this was vigorously attacked by Democrats as being too vague.\(^{37}\) Senator George Sutherland (R-Id.) defended the bill as Constitutional under provisions of Article I, Section 8, which gives Congress the power to coin money and "regulate the value thereof." Sutherland argued that this section implied that Congress should maintain an adequate currency for the country, and the postal savings system would bring money out of hoards. By so doing, the postal savings system would be aiding in maintaining an adequate currency, and it was therefore within the Constitutional powers of Congress to enact it. Furthermore, argued Sutherland, the same section gave Congress the power to "regulate commerce. . . among the several states," and by increasing the money supply, the postal savings system would be assisting interstate commerce. Finally Sutherland contended, the power "to establish post

\(^{37}\)Ibid., p. 1141.
offices and post roads" had been interpreted broadly enough to provide for post office money orders, and should therefore be broad enough to cover postal savings depositories.38

The arguments for the Constitutionality of the bill were tenuous at best, and were attacked by opponents of the system. Senators Root, Joseph Bailey (D-Tex.), and Isador Raynor (D-Md.) attacked the bill from this standpoint, with Bailey's objections being the most effective. Root pointed out that the Constitution did not provide for the establishment of institutions to encourage thrift, the declared purpose of the bill, and only by tortuous extenuation could the postal savings bill be considered Constitutional. Bailey proceeded from that point to destroy Sutherland's arguments. Bailey maintained that Congress had fulfilled its obligation to "coin money" when it had struck the coins and passed the money into the hands of citizens. The commerce clause did not apply, Bailey argued, because the provision to keep deposits within the local communities expressly excluded postal savings from interstate commerce. As to the claim to Constitutionality under the post office clause, Bailey pointed out that there was no relation between depositing

money at the post office for safekeeping and the transmission of mails. Postal savings was simply a fiscal transaction, and not related to the intended purpose of money orders, which was transmission through the mails.39

To counter the Constitutional objections to the bill, including the objections of supporters of postal savings like Root, Senator Reed Smoot (R-Utah) offered an amendment to change the method of investment. The Smoot amendment provided "That when, in the judgement of the President, war or any other exigency involving the credit of the Government so requires, the Board of Trustees may withdraw all or any part of said funds from the banks and invest the same in bonds or other securities of the United States."40 By this provision the postal savings system was made an instrument for the borrowing of money by the government, hence Constitutional under Article I, Section 8. But the Smoot amendment also worked directly counter to the provision that monies be kept in local communities. Democratic opponents of the bill still contended that it was unconstitutional. Senator Bailey declared that the Smoot amendment was "a palpable subterfuge intended to deny the court the

39 Ibid., pp. 2687-2689.
40 Ibid., p. 2720.
right to consider the bill according to its real purpose." But Republican objections were quieted by the change. Senator Root thought the Smoot amendment furnished "a Constitutional basis for the proposed legislation, because it would present a purpose on the part of Congress to gather these earnings from the people and put them in such a position that the Government can call upon them whenever it has real need." 

The Board of Trustees amendment, the investment amendments, and numerous minor adjustments in the language of the bill satisfied the objections of the majority of Senators. The Democrats still opposed any postal savings proposal, and attempted various parliamentary procedures to halt consideration. Senator Bailey tried to get the bill deferred until after the National Monetary Commission report, and Robert Owen (D-Okla.), the leading Senate proponent of deposit insurance, offered an amendment which would have had the practical effect of changing the bill into a deposit guarantee system. Both of these proposals, and other parliamentary stalling tactics were rejected by the majority of the Senate. On March 5, 1910, by a vote of 50 to 22, the Senate approved S. 5876 as amended.

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41 Ibid., p. 2720.
42 Ibid., p. 2761.
The postal savings bill now went to the House, where hearings began on March 16 in the Committee on the Post Office and Post Roads, chaired by John W. Weeks (R-Mass.). Weeks showed little interest in the bill and it was actually managed through the House by the second ranking Republican of the House Post Office Committee, John J. Gardner (R-N.J.). While the bill was in the House, the ABA, which had not been conspicuous in the Senate, brought its full weight to bear against passage of postal savings legislation. ABA pressure was particularly telling in the Committee hearings, where Weeks lent a sympathetic ear, and resulted in a significant amendment to the postal savings bill.

House Committee hearings had been held on several bills prior to the passage of S. 5876 by the Senate, but because of the significant differences between the Senate version and House bills, new hearings were held throughout the Spring of 1910. Chief spokesman for the ABA was Lucius Teter, who paraded a series of witnesses before the Committee. By 1910 Teter had managed to convince not only the ABA's Savings Bank Section of the danger of postal savings, but many other members of the ABA as well.

\[43^\text{Ibid.}, \text{ pp. 2301, 2621-2613, 2773.} \]

\[44^\text{Ibid.}, \text{ p. 2780. See Appendix B for the roll call vote results.} \]
Teter's witnesses in opposition included bankers from other than savings banks, and Fred Farnsworth, Secretary of the ABA.

The major thrust of the banker's testimony was to question the need for a postal savings system. In order to do this, Teter relied on the report compiled in 1909 by the Postal Savings Bank Committee. This report indicated that the figures annually compiled by the Comptroller of the Currency were significantly low, and that the private banking concerns were providing better service than the Comptroller's statistics indicated. While admitting that some local areas were poorly served, Teter maintained that banking facilities were expanding, and left to themselves would eventually be able to provide service to all parts of the country. The Comptroller had reported 5.6 billion dollars in savings in the United States in 1909, while the ABA figures showed the savings of the American people amounted to 9.5 billion, "exclusive of deposits in school savings, private investments of small savings in bonds, and the savings invested in homes and homesteads." Queries by Representatives revealed that the figures of the ABA did include the accumulations of building and loan associations ($745,993,000) and the total assets of
life insurance companies ($3,159,581,000). The ABA's definition of savings obviously differed from the conventional definition applicable to the subject of savings banks.

To counter this argument, supporters of postal savings pointed out that banks were unevenly distributed throughout the United States, the bulk of them being in New England while the Western and Southern states were poorly served. A special report of the National Monetary Commission published in December, 1909, and recognized by the ABA as very accurate, verified the insufficiency of savings facilities. The report showed that of the 25,000 banks of all types in the United States, only 10,982 had savings deposits amounting to $5,673,861,104, distributed among 14,873,361 depositors.

One of the supporters of postal savings legislation, Henry Boutell (R-Ill.) attempted to show where the existing banks had failed. He pointed out that many people mistrusted banks and hoarded their money, to the detriment of the nation's economy. It was impossible

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to determine how much hoarded money was kept out of circulation, but estimates ran into the billions of dollars. Many of foreign birth, Boutell claimed, mistrusted banks, and purchased money orders to secure their savings. These money orders were either held and later cashed by the purchaser, or sent to postal savings banks in foreign countries. Boutell cited statistics compiled by the Postmaster General to show that the amount of money sent to foreign postal savings banks through postal money orders was $8,054,894 in 1907. This money was lost to the American economy.\(^\text{47}\)

The bankers further objected to the establishment of a postal savings system on the grounds that it was paternalistic and competitive with private enterprise. Bankers often expressed the fear that the great confidence in the government held by the poor would give postal savings banks an undue advantage over private institutions, and that funds would be withdrawn from existing banks and deposited in postal savings banks.\(^\text{48}\) Supporters of the bill pointed to the low rate of interest and maximum amount features of the law as providing sufficient protection for the bankers from government competition.

\(^{47}\text{Congressional Record, 61 Cong., 2 Sess., XLV, Part 7, pp. 7589-7591.}\)

\(^{48}\text{Hearings, Postal Savings Bank, pp. 27-29, 117, 120-121.}\)
Statistics were produced to show that the experience of banks in countries where postal savings had been established demonstrated that postal savings was in fact beneficial to existing banks. 49

Numerous other objections were raised by the bankers: post offices were highly susceptible to theft, and the presence of large amounts of postal savings deposits would increase the temptation to robbers; the cost of building safes in the post offices to hold postal savings deposits and protect them from theft was prohibitive; private banks could do a better job of promoting thrift than the government because private bankers would be more aggressive in acquiring customers; depositors would actually lose money in a postal savings system because they would be investing their money at less interest than they could receive from private banks; and passage of a postal savings bill should be postponed until after the changes in the financial structure of the country were recommended by the National Monetary Commission, so as not to conflict with those changes. 50

A very strong argument for the supporters of postal savings was the amount of money immigrants sent abroad.

49 Congressional Record, 61 Cong., 2 Sess., XLV, Part 7, pp. 7684, 7700-7701.
50 Hearings, Postal Savings Bank, pp. 7-9, 91, 117-118.
The bankers attempted to counter this by suggesting that a postal savings plan would not halt this practice. What was needed was the education of the immigrant to the benefits of American banks. During his testimony before the House Committee, Lajos Steiner, a New York sociologist appearing at Teter's request, expressed this opinion:

The Chairman. Why do not these immigrants deposit their money in mutual savings banks in a State like New York, where they are as well protected as they are under New York laws?

Mr. Steiner. First of all, because immigrants do not know that such facilities exist. Almost everyone who comes in contact with the immigrant finds it to be to his business interest to prevent that immigrant, and the masses of immigrants, from becoming Americanized, becoming acquainted with our methods, with our institutions, with our ideals, and preserving them aliens to everything American; the employment bureau keeper, the shyster lawyer, the vender of European imported trinkets, and that sort of thing—almost without exception all these people find it to their interest to keep the immigrant a foreigner, so as to exploit him and make money out of him.

The Chairman. Does it not strike you that they are singularly lacking in intelligence if they are prevented from doing the very things which they came over here to do, to better their condition and generally to become citizens?

Mr. Steiner. Mr. Chairman, the average European peasant may not have so elastic a mind as laborers belonging to the Anglo-Saxon race. They may not; I am not competent to say so. But I wish to say that the average European peasant has common sense, but he lacks education in certain up-to-date matters and methods. He is ignorant; he does not know.51

51Ibid., p. 125.
Even more xenophobic than Steiner's testimony were several articles which appeared in *The Bankers Magazine* in late 1909 and 1910.

What is most needed then to keep this money at home, at least for a time, is not a chain of new banks, but a campaign of education to acquaint the foreign born with the splendid advantages offered them by existing institutions.

Having shown that the demand for post office money orders does not arise through fear of the banks, but is a natural sequence of the foreigner's stay with us, there still remains another side to the question.

There is no reason or earth why the foreigner, or any one for that matter, should entrust his savings with the postal savings bank in preference to any of our independent banks. And surely there is nothing to indicate that a post office bank, offering two per cent interest on deposits, will attract the money, when conservative, profit-sharing, savings banks are offering four per cent, and yet cannot divert the foreign laborers' money into their vaults.

It follows, then, that so long as our present immigration regulations remain the same, there will be a heavy exodus of our money to the European countries each year, an exodus that postal savings banks cannot stop.

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Scene. Post Office in small city.

Time. One month after Postmaster General Meyer's postal savings scheme becomes operative—say about 1949—8 o'clock A. M. (Banks open at 10.)

Characters. Average Postal Clerk and average probable patrons.

Postal savings window of Post Office goes up with bang, disclosing yawning clerk.

(Swarthy man puts down small, damp, odorous

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*52 The Bankers Magazine*, LXXIX (December 1909), 913-914.
roll of bills, abstracted from under clothes.)
"Wanta booka."
"Want to open an account?"
"Booka." (Nodding.)
"What name?"
"Booka--a' righta."
"Tell me your name, please."
"Feefty."
"No, not how much, but your name--John, Joe?"
"Carriera Guiseppe." (Spoken rapidly)
"How do you spell it?"
"Carriera Guiseppe." (Rapidly)
"Carrie? Is that your wife's name?"
"Feefty." (Nodding.)
"What's the other name--Seppy?"
"A' righta."
"Carrie Seppy is your wife's name; what's yours?"
"Carriera Guiseppe."
"I want your name--you'll have to get some one to introduce you--here" (pushes paper and pen toward him), "write your name."
He takes pen and makes mark, "A'righta."
Clerk (much flustered)— "Well, you'll have to move along; I can't make out your name--get an interpreter."
(Man behind pushes Italian, who grabs frantically for his money and moves slowly along, jabbering excitedly in his native tongue. He later comes back with a friend and the account is opened--the friend acting as interpreter, the clerk discovering that the man's name is Joseph Carriera). Then follow, in succession, the lady who opens an account with fifty dollars and wants a check book and withdraws the money at once on finding that she cannot have a check book; the delegation from a Jewish benefit society who wish to open an account so that it cannot be withdrawn except by the order of the whole society represented by a committee of ten or more; the colored waiter, who opens an account with two dollars and comes in every day to draw or deposit a dollar, so that the account is never more than a dollar but shows an entry each day; the people who want calendars or auxiliary banks; the people who grumble because the rate of interest is too low; and at four o'clock, just as the weary clerk is to close the window, the Diminutive Newsboy
returns to draw his money in time to "buy
me papes." 53

Teter suggested that the ABA had under consider­
ation a change to banking practices which would provide
greater security to savings depositors. The details of
this plan were not spelled out, but involved segregating
savings deposits from other bank funds and investing the
savings deposits in especially secure ways. The scheme
was proposed at the 1909 ABA convention, and an ABA
committee was working on the details. Teter maintained
that segregated deposits was a better plan for securing
people's savings than postal savings, and proposed
that the House Committee delay any action on postal
savings until the ABA could work out details of the plan
and demonstrate its superiority. 54 Segregated deposits,
like most of the other bankers' suggestions and objections,
did not keep the Committee from reporting the bill to
the floor favorably.

Teter was able to secure a major change in the
postal savings bill during the Committee hearings, but
the benefits of that change were not immediately apparent
to the bankers and did not alter their opposition to
postal savings. The change was the addition of a

53 P. LeRoy Harwood, "A Day With the Postal Savings
54 Hearings, Postal Savings Bank, pp. 88-90.
provision which allowed a depositor to use his savings to purchase small denomination government bonds. Ultimately this provision would prove a boon to both the banking industry and the government, but few people, either bankers or Representatives, understood the significance of the change.

Teter had secured the testimony of the Harvard economist O. M. W. Sprague to oppose postal savings banks. Sprague's argument against postal savings concerned the bond provision added earlier by the Senate, which he felt was an unsound arrangement. Although highly critical of the Senate proposal, Sprague felt that it would be wise to make provision for the purchase of bonds by the individual depositor. 55

The bond proposal was related to the general subject of fiscal reform. Although the National Monetary Commission had not recommended any changes as of yet, it was generally held by the Commission that one of the greatest weaknesses of the existing system was the practice of issuing national bank notes based on two percent U. S. bonds. Because these banks were security for part of the circulating medium, they commanded a higher price on the open market than their face value. If, as

was expected, the government withdrew the circulation privilege from bonds, their market value would fall. Most banks had purchased these bonds and held them as part of their reserves, and any government change in policy would cause serious financial losses to these banks. By allowing the investment of postal savings depositors' funds in United States bonds, a reserve would be created which would allow the government to purchase the two percent bonds at par value, thus reducing the losses of bankers who held two percent bonds. 56

As the House Committee reported the bill to the floor, it contained a new Section 10, which provided that any depositor could surrender his deposit, in amounts of twenty dollars or multiples thereof, for two and one-half percent United States bonds. The defense of the bond provision on the floor of the House did not mention the benefit to banks, but stressed a threefold objective: to further encourage thrift, to make the measure more Constitutionally sound, and its democratizing effect of broadening the base of subscribers to the national debt. Supporters of the bill argued that by enabling the saver to buy bonds once he had acquired twenty dollars, he was encouraged to save larger amounts. Converting postal savings into bonds also allowed depositors to accumulate

56 Ibid., pp. 45-49.
more than the $500 maximum placed on the postal savings system. The bonds depositors could purchase were payable one year after the date of purchase. Since bonds were not demand deposits, it was felt that the bulk of small accounts would remain in the postal savings system. The Constitutionality of the bill was enhanced because the purchase of bonds fell under the provisions of Article I, Section 8, which gave Congress the power to borrow money on the credit of the United States. The bond feature had the benefit of placing the public debt more largely in the hands of the poorer classes, tying their interests more closely with those of the government. After a brief exposition of the benefits of the bond provision, the amendment was adopted on the floor of the House by a voice vote.  

In addition to the bond provision, the House Committee made several minor changes in the bill before reporting it to the floor. The most significant of these were the provision that the Postmaster General print special stamps for use on all correspondence dealing with postal savings, so that an accurate accounting of the cost of the system could be made, and the provision for special stamps and savings cards to enable customers

to save small amounts conveniently until they acquired the dollar amount required as the minimum deposit.\textsuperscript{58}

On June 7, 1910, the bill as amended was favorably reported by the House Committee on the Post Office and Post Roads. The bill was skillfully guided through the House by John Gardner, and encountered less opposition on the floor of the House than it had in the Senate. The major opponent was John Monn (D-Tenn.), who presented a minority report from the Post Office Committee, and reiterated the objections of the bankers. These objections were answered in short order by various supporters of the bill. The only parliamentary maneuver attempted by opponents of the bill was the introduction of a new bill by David Finley (D-S.C.). The new bill was a much weaker version of the original Senate bill, and was quickly tabled.\textsuperscript{59}

On Thursday, June 9, 1910, the final vote on the bill as amended was taken in the House. The bill passed by a vote of 195 to 102.\textsuperscript{60} On June 13 the House amendments were reported back to the Senate. A short debate followed in the Senate, but the House version of the bill

\textsuperscript{58}\textit{Ibid.}, p. 7585.

\textsuperscript{59}\textit{Ibid.}, pp. 7590, 7665-7703, 7739-7754.

\textsuperscript{60}\textit{Ibid.}, pp. 7766-7768. See Appendix B for the roll call vote results.
was approved on June 22. 61 On June 25 President Taft signed the bill into law. 62 The Board of Trustees was now faced with the difficult task of devising the rules and procedures for governing the postal savings system, and preparing to put the system into operation.

61 Ibid., Part 8, pp. 7926-7928, 8392, 8632-8634, 8740-8741.
62 Ibid., p. 9078.
Chapter IV

The System is Established

The first day that postal savings deposits were accepted was January 3, 1911. During the six months between the passage of the act and the implementation of the system, the Board of Trustees established the administrative procedures for postal savings transactions. The Board decided to establish the system gradually, beginning with one post office in each state and territory which was already a postal money order office. The experience gained at these experimental offices would allow the Board to perfect the administrative procedures, and expand the system after alterations were made. The Board also prepared and had printed the new administrative forms, stamps and cards for savings in small amounts, and stamps and embossed envelopes for use on mail concerned with postal savings business.¹

During the six months prior to the establishment of the system, much of the Board's time was spent in

¹Postmaster General, Annual Report, 1911, pp. 6-7.
preparing the regulations governing the conduct of postal savings transactions. The act creating the postal savings system was very specific about the procedures to be followed in investing postal savings deposits. The rules established by the Board were virtually a restatement of the act with minor additions. Banks receiving postal savings funds had to deposit bonds as security and be certified by the Board of Trustees. Accounts were opened in each bank, one account payable only to the Board of Trustees, and the other to the local postmaster. The majority of postal savings deposits were placed in the account of the Board of Trustees, as a safeguard against misappropriation of funds. To meet those occasions when withdrawals exceeded daily receipts, the local postmaster was able to utilize the smaller account, known as the postmasters' emergency credits. As provided by the act, five per cent of the deposits were sent to Washington to establish a reserve fund.\footnote{Postal Laws and Regulations of the United States of America, 1913, sec. 1279, p. 600. Hereafter cited as Postal Laws.}

The regulations governing other aspects of the system required major supplementation to the act by the Board of Trustees. In establishing rules for the deposit of funds, the Board determined that only individuals could open accounts, and no deposits could be received
from corporations, associations or societies, nor could an account be opened on behalf of or in trust for another person. Provision was made for changing the name on an account, because of marriage or legal name change, and procedures were established for disposition of funds when the depositor died or was legally adjudged mentally incompetent.

The system of accounting used by the post office was unique. All other postal savings systems used pass books and a central accounting system. The 1910 act provided for pass books, or "the Postmaster General may, with the approval of the Board of Trustees, adopt some other device or devices." As an economy measure, the Board of Trustees adopted the use of individual savings certificates, issued in even dollar amounts. Interest on the certificates was compounded annually for each full year money remained on deposit from the first day of the month following the day on which the certificate was issued. Savings cards and savings stamps were printed to allow for the saving of amounts of less than one dollar. The cards were sold for ten cents each, and when ninety cents in savings stamps were affixed to them, the cards could be redeemed for an interest bearing

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3 Ibid., sec. 1270, p. 598.
At the end of each month the local postmaster prepared a ledger sheet showing the certificates which would begin drawing interest the following month. On this basis, twelve account books were established for each interest date (i.e. January 1st, February 1st, March 1st, etc.), and copies of the ledger sheet were sent to the Post Office Department in Washington.

While this accounting system provided for economy of operation, it had several disadvantages. Considerable time was expended by postmasters on the paperwork involved in running the system. The maintenance of accounts by local postmasters rather than in a centralized accounting system, prohibited the transfer of accounts from one post office to another without withdrawing funds from the previous account and opening a new account, usually entailing the loss of interest. Persons purchasing large denomination certificates could not withdraw a small portion of their deposit without losing the interest on the entire amount. These imperfections did not become apparent until the system was in operation, and changes

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5Ibid., secs. 1273-1274, 1277-1278, pp. 599-600, and Postmaster General, Annual Report, 1911, pp. 6, 8-9, 322.

6Ibid.

7Letter, Third Assistant Postmaster General A. M. Dockery to Herbert Brown, November 14, 1919, Records Group 28, National Archives.
were subsequently made to alleviate the shortcomings.

By January 3, 1911, the necessary regulations had been issued and forms distributed, and one post office in each state and territory began accepting postal savings deposits. After four months of trial and minor changes, the system was expanded to all of the first, second and third class offices during May and June, 1911. By June 30th, 7,500 post offices were engaged in postal savings business. In advance of inauguration of the system at a post office, postal inspectors were sent to explain the operation of the system and the use of the special forms to the local postmasters. In larger post offices, where a heavy volume of deposits was anticipated, postal inspectors were present on the day the system began service. Public acceptance of the system was initially slow, and by the end of six month's operation, only 11,918 depositors had placed $677,145 in the system, an average deposit of $56.82. As more post offices began accepting deposits, the number of accounts increased rapidly. 8

By the end of 1911, at the close of the system's first year of operation, 7,500 post offices were accepting postal savings deposits. 162,697 depositors had placed $10,614,676 in the system, for an average deposit of $65.24. During fiscal year 1912 (July 1911-June 1912)

8Postmaster General, Annual Report, 1911, pp. 6-7,61.
the system was extended to fourth class offices, making a total of 12,812 post offices depositories for postal savings. The system had grown to 243,801 depositors with $20,237,084 in savings, an average of $83.01. By June 30, 1913 the system contained 331,006 depositors with $33,818,870 to their credit, an average of $102.17 per depositor.9

The experience of the first few years of operation of the system showed several areas where improvements could be made. The Board of Trustees proved too cumbersome an instrument to handle all of the administrative details of the day-to-day operation. Much delay was occasioned by the inability to get all three members together promptly when needed. Accordingly, the Post Office Department Appropriation Act of March 4, 1911, temporarily gave the Postmaster General authority to designate postal savings depositories, make rules concerning the deposit and withdrawal of funds, and other routine administrative matters. The investment and control of funds remained with the Board of Trustees, and was to be audited by the Auditor of the Post Office Department.10 These provisions were permanently incorporated in the system by

9Postmaster General, Annual Report, 1911, p. 6; Annual Report, 1912, pp. 6-7; Annual Report, 1913, pp. 302-303. For additional information on deposits, see Appendix D.

10"An Act to appropriate funds for the Post Office Department. . .and for other purposes," 1911—ch. 241, sec. 5, United States Statutes at Large, XXXVI, Part I, p. 1340.
an amendment to the postal savings act approved August 24, 1912.\textsuperscript{11}

Section 14 of the original act appropriated $100,000 for the initial expenses of establishing the postal savings system. This sum was supplemented by subsequent appropriations until June 30, 1913. In the budget for fiscal year 1914, which began July 1, 1913, the expenses of the Postal Savings System were included as part of the Post Office Department general appropriation. In anticipation of this change, Postmaster General Albert S. Burleson reorganized the Postal Savings System within the Post Office Department.\textsuperscript{12}

By administrative order the Postmaster General, on May 1, 1913, created a new division of the Post Office Department for the postal savings system. The Division of Postal Savings was assigned to the Bureau of the Third Assistant Postmaster General, the bureau in charge of the fiscal affairs of the Post Office Department. The Third Assistant Postmaster General was appointed secretary to the Board of Trustees, and designated the Board's agent for all purposes connected with the administrative duties

\textsuperscript{11}"An Act making appropriations for . . . the Post Office Department . . . and for other purposes," 1912--ch. 389, sec. 10, \textit{United States Statutes at Large}, XXXVII, Part I, p. 559.

\textsuperscript{12}Postmaster General, \textit{Annual Report, 1913}, pp. 301-302.
performed by the central office. Thus all Postal Savings activities were centralized under the responsibility of the Third Assistant Postmaster General, either in his capacity with the Post Office Department or as a representative of the Board of Trustees.

Coincident with the administrative reorganization of the postal savings system, a committee of Post Office Department officials was appointed to study the administration of the system and recommend changes in procedures and forms. Several changes resulted from the committee's study, the most important of which were the abolition of the postmasters' emergency credits and new provisions for postal savings accounts where no local banks qualified to receive funds. Under the new system postmasters were authorized to issue checks on the account of the Board of Trustees at local banks whenever withdrawals exceeded deposits. This eliminated the need for the postmasters' emergency credits fund, and reduced the number of accounts, and consequently the amount of paperwork, almost one half. Postmasters in towns where no bank qualified for the investment of postal savings funds had been required to send deposits to banks in the nearest town, and maintain two separate accounts in those banks. Under the new provisions, postmasters sent their funds

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13 Ibid., p. 302.
to the postmaster of the nearest town with a qualified bank. The receiving postmaster then deposited the funds with his own, as if they had accrued at his post office.\textsuperscript{14} These changes simplified the postal savings procedures and greatly reduced the paperwork load.

Two other recommendations for changes in the system required Congressional action, and by laws passed in 1914 these changes were effected. On January 21, 1914, the provisions of the 1888 law allowing the Postmaster General to adjust claims against postmasters for losses of funds from fire and theft were extended to cover postal savings monies.\textsuperscript{15} On September 23, 1914, the original Postal Savings Act was amended to eliminate the use of Postal Savings Special stamps for correspondence, and allowed the use of franked envelopes instead. The same amendment also eliminated the practice of compensating postmasters for postal savings business they transacted.\textsuperscript{16}

The use of special stamps had been an experimental program to determine the cost of correspondence by individual departments of government, with the intention of extending the use of special stamps to all government offices if the experiment proved successful. The special stamps were

\textsuperscript{14}\textit{Ibid.}, pp. 302-303.

\textsuperscript{15}\textit{"An Act to amend the Act approved May Ninth, 1888 ..." 1914--ch. 12, United States Statutes at Large, XXXVIII, Part I, pp. 278-279.}
cumbersome and time consuming, and the cost of printing the stamps and the necessary bookkeeping was more than the savings realized, so the experiment was discontinued.\textsuperscript{17} The compensation to postmasters of fourth class offices was based on the volume of mail and stamps handled. The original rules of the Board of Trustees allowed additional compensation to fourth class postmasters for postal savings business. The provisions were such that a post office selected as a postal savings depository and having no deposits would still qualify the postmaster for an additional compensation of twenty-seven cents a year.\textsuperscript{18} As an economy move, Congress prohibited compensation for postal savings business.

By the end of fiscal year 1913, 12,158 post offices had been designated postal savings depositories. Of these, 3,931 were fourth class offices. Nearly seventy-five per cent of the fourth class offices showed no deposits, or deposits of only one dollar.\textsuperscript{19} As an economy move, 2,753 fourth class post offices were removed from the list of postal savings depositories, and a continuing review policy was established by the Third Assistant Postmaster General to evaluate the classification

\textsuperscript{16}"An Act to amend the Act approved June 25, 1910 . . . ." 1914--ch. 308, United States Statutes at Large, XXXVIII, Part I, p. 716.

\textsuperscript{17}Postmaster General, Annual Report, 1914, p. 52.
of post offices as postal savings depositories.  

The most significant change in the postal savings system during its first decade of existence was the increase in the maximum balance allowed each depositor. The original bill permitted only one hundred dollars to be deposited each month, and a maximum balance of five hundred dollars. On September 6, 1913, an amendment to the postal savings bill was offered by John A. Moon (D-Tenn.), one of postal savings' leading opponents in the House in 1910. The bill (H.R. 7967) contained several provisions, one of which was the removal of all limitations on the amount which could be deposited in postal savings banks, but limiting the amount on which interest was paid to $1000 per depositor.  

Considerable opposition to Moon's proposal developed in Congress, and the limit on deposits was not raised until 1916. Opponents of higher maximums relied on three arguments: competition with existing banks; the possibility of using postal savings for fraud; and the possibility of post offices becoming temporary places of

19 Ibid., p. 928.
21 Congressional Record, 63 Cong., 2 Sess., LI, Part 1, p. 923.
safe keeping for large amounts of money. As had been the case with the original bill, the Savings Bank Section of the American Bankers' Association opposed raising the limits and developed many of the arguments subsequently used in Congress.

At the 1912 ABA Convention, Theodore L. Weed, Director of the Postal Savings System, addressed the Savings Bank Section. During his speech, Weed advocated raising the limit to $1000 per depositor.\(^{22}\) Shortly thereafter a motion was introduced and passed by the Savings Bank Section opposing an increase in limitations, because the bankers felt it would increase competition with private banks and contribute to runs on banks in times of financial stress.\(^{23}\) At the 1913 Convention, W. B. Creer, a New York banker, suggested that there was no legitimate reason to raise the limitation.

Mr. Weed told us of somebody coming with $20,000 and wanting to deposit it in the Postal Savings Bank. Is that a savings deposit?—I say it is not. The average savings deposit in the United States is less than $500.

When we are catering to savings banks twice that amount ought to take care of the legitimate savers in the United States. When a man brings $20,000 to the Postal Savings Bank, he is one of two things; he is either a crook or crazy. He is a crook because he wants to put money where it is beyond the process of law; he wants to cheat his wife or

\(^{22}\)ABA, *Proceedings, 1912*, pp. 409, 421-422.

\(^{23}\)Ibid., pp. 470-472.
his creditors. That is one reason, and a man living in a town like Boston or Cleveland, where everything is being done for a financial institution, and they are unable to take care of his money, there must be something the matter with his works up here (indicating head). 24

The claim that the lifting of limitations on deposits would create competition with private banks was the most telling argument used in Congress against the proposal. Postal Savings supporters like Senator Lodge (R-Mass.) and other New England Congressmen feared that the savings banks, which were strongest in that part of the country, would be most adversely affected. 25 The bankers made their opposition felt in Congress. Senator Gallinger (R-N.H.) cited letters from all the savings banks in his state opposing the raising of limitations. 26

The fear that raising limitations on deposits would lead to fraud grew out of a decision of the Attorney General's office that postal savings were exempt from attachment and execution for debt, as they were debts of the United States government, which, by law, could not be taxed or attached. Several Congressmen expressed the objection that raising the limit would open the door to use of the system for fraudulent evasion of taxes

24ABA, Proceedings, 1913, p. 495.
26Ibid., pp. 6670, 6725.
and debts. Representative Steenerson (R-Minn.) drew
the picture of a man with a wife and five children over
ten being able to use the postal savings system to
escape creditors to the extent of $14,000. 27

The third, and weakest, argument in opposition
was expressed by Senator Weeks (D-Mass.):

I feel perfectly sure . . . you will see
men from time to time dropping into the country
post office and depositing their money where the
postmaster has no facilities for caring for
it, having no safe or any other means of
protecting deposits, simply for safe-keeping;
not for the purpose of saving the money,
not for the purpose of getting interest on
it, but simply for the purpose of leaving it
there for safe-keeping until it is wanted. 28

Senator Bryan (D-Fla.), floor manager for the bill
in the Senate, pointed out that the Postal Savings
System had not been competitive with banks with a $500
maximum, and should not be with an increased maximum.
Bryan countered the tax-dodging argument by indicating
the large number of tax-exempt municipal and state bonds
which were readily available and paid higher interest
rates than postal savings deposits. 29

27 Congressional Record, 63 Cong., 2 Sess., LI, Part
1, pp. 433, 613; Part 7, pp. 7301-7303. The Attorney
General's decision was issued in December, 1915, and based
on Section 3701, United States Revised Statutes, 1914.

28 Congressional Record, 63 Cong., 2 Sess., LI, Part
7, p. 7302.

29 Ibid., p. 7360.
Supporters of the increase argued that the limitation on deposits kept much hoarded money from being brought into the system, thus defeating one of the original aims of postal savings depositories. Third Assistant Postmaster General A. M. Dockery estimated that $30,000,000 had been turned away because of the existing limits. Perhaps the estimate was high, but a considerable amount had been refused because of the provision. As the Post Office Department reported to Congress:

The Postal Savings Service has been handicapped from the very beginning by the statutory restrictions on the amount that may be accepted from a depositor. Only $100 may be accepted from a depositor in a month, and $500, exclusive of accumulated interest, is the maximum amount he may have on deposit. Millions of dollars, tendered chiefly by the foreign born, have been rejected and driven back into hiding and disuse on account of these restrictions. Not a day passes that postmasters do not report instances of the rejection of hidden savings. More than 30,000 depositors have now reached the $500 limit and can deposit no more, despite their appeals to do so. Of these inactive accounts, which aggregate one-fifth of all postal savings deposits, 22,000 are owned by the foreign born. The Post Office Department, as now organized and equipped, could attend to the business incident to much larger deposits with practically no additional expense.  

An additional argument in favor of raising the limit was the economy afforded the government. The

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30 Congressional Record, 64 Cong., 1 Sess. (1915), LIII, Part 1, p. 615.
Postmaster General expressed the opinion that the system would become self-sustaining when deposits reached $50,000,000, and would make money on any amount over that. Since the government had spent over $1,000,000 in establishing and operating the system in its first two years, the prospect of government profits was appealing to Congress.

The Moon bill was amended in both houses of Congress, referred to a conference committee to compromise the differences, and approved by Congress on September 1, 1914. In its final form the bill removed the limitations on the amount that could be deposited by a person in any month, left the maximum amount bearing interest at $500, and authorized the Board of Trustees to accept from each depositor an additional $500 on which no interest would be paid. The provisions for investing funds were restated, but provided that the banks receiving funds need not be members of the Federal Reserve System. This provision was added to insure the maintenance of funds within local communities.

President Wilson vetoed the Moon bill because of

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32Congressional Record, 63 Cong., 2 Sess., LI, Part 1, p. 923.
33Ibid., Part 7, pp. 6669-6670.
the provision authorizing deposits in other than Federal Reserve banks:

With most of the provisions of the bill I am in hearty accord. They are admirably conceived and the changes of law which they propose would undoubtedly be very beneficial to the postal savings system, but a portion of section 2 seeks to make a change in the Federal Reserve act of last December which I venture to regard as unwise.

It is my clear conviction, very respectfully urged and submitted, that as a matter of principle as well as of policy we should strengthen and safeguard the new banking system very jealously with a view to the ultimate unification of the entire banking system of the country under the supervision of the Federal Reserve Board. It would, in my judgment, be a grave mistake to take away any of the benefits or advantages held out by the present law to member banks to enter the system, and take them away just as the system is about to be put into operation and the promises of the act of last December made good to the banks that have entered.

... I venture to suggest that the otherwise admirable bill which I now return might be amended, and might, because of the financial circumstances now temporarily existing, be very advantageously amended to extend for another 12 months the period within which banks not members of the Federal reserve system must surrender the deposits of the Government. May I take the liberty of suggesting that this be done? It would remove from this bill the only feature which seems to me incompatible with sound public policy.

Woodrow Wilson

In the next session of Congress Representative Moon introduced a new amendment (H.R. 562) to the postal

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savings act which provided for raising the limits on interest bearing deposits and contained a provision for the investment of funds which was a compromise between the original amendment and Wilson's proposals. Deposits were allowed in non-Federal Reserve banks only if no Federal Reserve bank in the locality was qualified to accept deposits. The new amendment was more liberal in raising the deposit maximum than the previous bill. The monthly limitation was entirely removed and interest bearing deposits of $1000 and non-interest bearing deposits of an additional $1000 were allowed from each depositor.\(^{35}\)

The amendment to raise the deposit limit received considerable less opposition in the 64th Congress than it had in the 63d. Primarily this was because the Savings Bank Section of the ABA withdrew its opposition. At the 1915 convention, the Federal Legislative Committee reported the Moon proposal favorably.

It is understood that the Sixty-fourth Congress will enact legislation raising the limit of interest bearing deposits to $1000 and giving discretionary powers to the Board of Trustees to accept an additional $1000 without interest; from the knowledge acquired by your Committee in its efforts to have the original Moon bill amended and from a frank interchange of views with the Director

of the Postal Savings System—we feel that the desire of the Trustees for this increase of authority is not unreasonable and will not work any hardship upon our savings banks. We have been assured that it is not the policy of the Postal Savings System to compete with the existing agencies for saving but endeavors only to supplement them and in so far as we are able our members should co-operate with every effort to cultivate the thrift habit of our people. 36

With the organized opposition of bankers removed, the bill moved through Congress quickly, and was signed into law by President Wilson on May 18, 1916. 37

Only one other amendment to the postal savings system was made during the first decade of its operation. During World War I the $1000 limit prohibited a considerable number of deposits at a time when the government was desirous of obtaining the maximum amount possible, as the postal savings deposits aided in financing the war effort. Representative Moon again introduced an amendment, as part of the 1819 Post Office appropriations bill, to raise the limit on deposits. After a very short discussion, the maximum interest bearing deposit was raised to $2,500, and, as a further encouragement to small savings accounts, the savings cards for amounts under one dollar were changed so that they could be


37"An Act to amend the act approved June twenty-fifth, 1910 . . ." 1916—ch. 126, United States Statutes at Large, XXXIX, Part 1, pp. 159-163.
distributed at no cost and required one dollar's worth of stamps to be affixed to them. This change was felt to be an added inducement to children to deposit money in the postal savings system, as postmasters could now distribute the cards in schools free of charge. The amendment was passed by Congress and signed into law by the President on July 2, 1918.

The first decade of postal savings operations in America established the system as a useful government agency. The best measure of the success postal savings enjoyed is the support the system earned from its initial opponents. Representative Moon, who had spoken against postal savings in 1910, introduced the amendments of 1914, 1916, and 1918 to raise the limit on deposits. The initial opposition of bankers, particularly savings bankers, was changed gradually into positive support for the system. Edward L. Robinson, Vice-president of the Eutaw Savings Bank of Baltimore, Md., was appointed Chairman of the Savings Bank Section's Special Committee on Postal Savings Legislation in 1911. Robinson testified against the system in 1910 and was critical of any attempts

38 Congressional Record, 65 Cong., 2 Sess. (1918), LVI, Part 4, pp. 4102, 4104.

39 "An Act making appropriations for the services of the Post Office Department . . . and for other purposes," 1918--ch. 117, United States Statutes at Large, XL, Part 1, p. 754.
to raise the deposit limit through 1914. By 1915, Robinson had become a supporter, along with many other bankers, of postal savings, and his final report to the Savings Bank Section in 1915 indicates his shift in feelings:

Complaint has been made to this committee also that some injury has been done under the law by the solicitation and exploitation of the benefits of the Postal Savings Bank system. Some object to that solicitation; but after consultation with some of the gentlemen connected with our general work, and the members of the Postal Savings Bank Committee, we felt it would be unwise and hardly fair to object in the name of the Association to this method of exploiting the Postal Savings Bank law inasmuch as we feel that our own interests will not thereby be disturbed. These methods, through drawing public attention to the subject of saving and in thus accenting the importance of thrift, are helpful means of promoting the Cause for which this Section stands and in the opinion of your committee have not wrought any damage to our members.

The bankers' change of mind resulted from their experience with the postal savings system. Rather than harming private banks, the system was a decided advantage to them. Postal savings deposits were reinvested by the local postmasters in local banks, and by 1913, 7,226 banks were qualified as postal savings depositories. These included 3,786 national banks, 2,405 state banks, 377 savings banks, 609 trust companies, and 49 private banks.

41Postmaster General, Annual Report, 1913, p. 27.
Savings banks, who feared government competition most, found that they were not adversely affected, but enjoyed an unprecedented growth during the first years of the system's operation. The number of savings banks grew steadily from 1,759 in 1910 to 2,159 in 1915, and deposits rose during the same years from $4,070,486,246 to $4,997,706,013. The number of depositors also increased, from 9,794,647 in 1910 to 11,285,755 in 1916. This growth was not confined to savings banks. All other banks experienced similar growth, and the year 1916 showed the largest total deposits in banks and the largest one year increase of any year since the Comptroller of the Currency began keeping records in 1864.

The postal savings system had proved directly beneficial to banks on several occasions. Four such cases were described in a Post Office Department statement of December, 1913. During 1913 there had been runs on banks in Ironwood, Michigan, Lowell, Massachusetts, and McKeesport and Pittsburgh, Pennsylvania. In each case the failure of a local bank precipitated a run on other banks in the area. Much of the money withdrawn from the banks was deposited in postal savings. At the end of each day's business, the postmaster redeposited the withdrawn

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43 Ibid., pp. 2-3.
funds in the remaining solvent banks. The solvent bankers credited postal savings deposits with providing sufficient funds to keep the remaining banks from closing.\footnote{\textit{Congressional Record,} 63 Cong., 2 Sess. (1913), LI, Part 1, pp. 926-927.}

The bankers had been afraid that postal savings would induce depositors to withdraw money from private banks to patronize postal savings banks. The initial years of the system proved this fear unfounded. The major sources of deposits in the postal savings system were funds which had been hoarded and money which had been previously sent overseas for deposit in foreign postal savings systems. As the Third Assistant Postmaster General reported in December, 1913:\footnote{\textit{Ibid.}, p. 924.}

The files of the Post Office Department show conclusively that this money represents chiefly the hidden savings of timid wage earners, who have implicit confidence in the Government and who will not patronize private savings institutions. It is money that was lost to commercial activities until brought into light and business availability through postal savings. So the fear that the service would occasion heavy withdrawals from the banks has proved utterly unfounded.\footnote{\textit{Ibid.}, p. 924.}

The sales of foreign money orders declined rapidly as the postal savings system went into operation. In a speech to the Savings Bank Section of the ABA, Carter B. Keene, Director of the Postal Savings System, indicated the extent to which the system had retained money in
America which otherwise might have been sent overseas.

The prediction that the Postal Savings System would keep on this side of the Atlantic enormous sums which had hitherto gone abroad has been fulfilled. The amount of money orders payable in foreign countries showed a rapid annual increase until June 30, 1911, when it aggregated for the year one hundred and nine million eight hundred thousand dollars. A limited number of post offices were made depositories in January, 1911, but no substantial progress was made in deposits until the fall of that year, when the service was extended to the large cities. During the year ended June 30, 1912, the amount of foreign money orders dropped to ninety-seven and a half million dollars, or twelve million three hundred thousand less than the previous year, and in the same period postal savings deposits leaped from six hundred and sixty-seven thousand to twenty million two hundred thousand dollars. The falling off in foreign money orders during the last fiscal year over 1911 was seven million three hundred thousand dollars. At first blush these latter figures are less encouraging, but explanation lies in the fact that thousands of depositors sent their savings home last year to assist their countrymen in carrying on the Balkan War.  

The restrictions on deposits adversely affected this beneficial feature of the system. The bankers recognized this hindrance as early as 1913, but were hesitant to allow an increase in the deposit maximum at that time.  

The deficiency became increasingly apparent as more depositors accumulated the allowable maximum. By 1915 the Postmaster General noted this in his Annual Report.

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46 ABA, Proceedings, 1913, p. 482.
47 Ibid., p. 491.
Prior to the establishment in 1911 of a postal savings system in this country, postal money orders in large numbers and for large amounts were purchased for savings purposes. The extension of postal savings facilities served to curtail this practice to a negligible degree, but during the fiscal year just closed it has been noted that money orders are again being purchased for large sums and held for long periods.

As the maximum limit for deposits was raised, the sale of foreign money orders declined. This decline was partially due to American entry in World War I, and the suspension of money order business with enemy nations. The year immediately following the first raise in the limit showed the greatest yearly increase in deposits, indicating the extent to which money order business curtailed postal savings deposits. During fiscal year 1917, the increase in deposits was $45,934,811, more than double the increase in deposits of any previous year. As postal money orders were allowed with all foreign nations for nine of the twelve months of this period, the increase was substantially due to the increase in the allowable maximum.

The original postal savings law required the Board of Trustees to submit an extensive report to Congress annually. In order to compile this report the Board

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49 Postmaster General, Annual Report, 1919, p. 87.
collected a considerable amount of information on the depositors, enabling a fairly accurate analysis of the initial patrons of the system. The requirement for the annual report to Congress was modified by the 1914 amendments, and after 1916 the Board no longer required detailed information from depositors. A much more detailed picture of the patrons as of 1916 is therefore possible than can be compiled for subsequent depositors.

The most striking feature of the depositors in 1916 is the overwhelming preponderance of the foreign born, and the infrequent use made of the system by the rural population which had supplied the initial impetus for postal savings. In 1916 the postal savings system was to a large degree an immigrant bank. Carter B. Keene indicated the extent of immigrant utilization in an address to the Savings Bank Section of the ABA in 1916.

The most striking and gratifying story of postal savings is disclosed in the fact that 375,000, or sixty per cent. of the total number of depositors, were born outside the United States and that this provident army owns $75,000,000, or three-quarters of all the deposits. How much these mute figures mean! What a tribute of confidence the foreign-born have paid to the nation of their choice and adoption. 50

Third Assistant Postmaster General A. M. Dockery actively sought foreign born depositors. Under his

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direction the Post Office issued circulars on the postal savings system in twenty-three foreign languages, and provided local postmasters with foreign language phrase books to enable clerks to handle deposits from patrons who could not speak English. An extensive promotion campaign was conducted in the foreign language press to acquaint immigrants with the facilities of the postal savings system. The Wilson administration officials were not the only ones to recognize the potential importance of immigrants' deposits. In designating post offices to become postal savings depositories, Theodore Weed, Director of the system in the Taft administration, had selected first those offices which conducted a large volume of foreign money order business. But the Wilson administration appointees had been much more successful in attracting deposits from the foreign born. In contrast to the 1916 figure, only 36 per cent of the depositors were foreign born in 1913.

Coinciding with the Post Office Department's efforts to encourage immigrants to patronize the system

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51 Ibid., p. 405.
52 ABA, Proceedings, 1912, p. 420.
were two other factors which contributed to the increased utilization by the foreign born. Congress investigated the "immigrant banks" in 1910 and concluded that these institutions were defrauding many recent immigrants of their money. This investigation resulted in adverse publicity for immigrant banks in the immigrant press, and restrictive legislation by Congress.\textsuperscript{54} The outbreak of World War I in Europe severely curtailed the activities of immigrant banks, and also resulted in a sharp decrease in foreign postal money order transactions.\textsuperscript{55}

An analysis of the patrons of the postal savings system in 1915 by country of nativity indicates the disproportionate extent to which immigrants utilized the system. The raw percentages do not reflect an accurate picture of the comparative numbers of depositors, because the native born population contained a much larger percentage of children under ten years of age, who were ineligible to establish accounts. The fourth column of Table 4 indicates an age eligible adjusted percentage of the population.


Table 4

Depositors in Postal Savings Banks by Country of Nativity, 1915

<table>
<thead>
<tr>
<th>Country of Nativity</th>
<th>% of U.S. population born in each country</th>
<th>% of total deposits made by natives of each country</th>
<th>Adjusted % of deposits based on age eligible population</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>85.69</td>
<td>28.2</td>
<td>38.3</td>
</tr>
<tr>
<td>Russia</td>
<td>1.86</td>
<td>20.7</td>
<td>16.8</td>
</tr>
<tr>
<td>Italy</td>
<td>1.44</td>
<td>14.2</td>
<td>12.4</td>
</tr>
<tr>
<td>Great Britain</td>
<td>4.04</td>
<td>8.8</td>
<td>8.2</td>
</tr>
<tr>
<td>Austria</td>
<td>1.26</td>
<td>8.7</td>
<td>7.3</td>
</tr>
<tr>
<td>Hungary</td>
<td>0.53</td>
<td>4.3</td>
<td>3.4</td>
</tr>
<tr>
<td>Germany</td>
<td>2.68</td>
<td>4.1</td>
<td>3.6</td>
</tr>
<tr>
<td>Sweden</td>
<td>0.71</td>
<td>2.2</td>
<td>2.0</td>
</tr>
<tr>
<td>Greece</td>
<td>0.11</td>
<td>1.8</td>
<td>1.4</td>
</tr>
<tr>
<td>Other foreign countries</td>
<td>1.68</td>
<td>7.0</td>
<td>6.6</td>
</tr>
<tr>
<td></td>
<td><strong>100.00</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>


Among native Americans, the white population predominated among postal savings depositors. Although blacks lived predominantly in the South, an area poorly served by other banking facilities, they made little use of the postal savings system. The only statistics available on racial distribution are for June 30, 1912 (see Table 5, p. 123), but the percentages indicated by
Table 5

Native American Depositors by Race, 1912

<table>
<thead>
<tr>
<th>Race</th>
<th>Number</th>
<th>per cent of depositors</th>
<th>per cent of population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caucasian</td>
<td>239,128</td>
<td>98.08</td>
<td>88.8</td>
</tr>
<tr>
<td>Negro</td>
<td>4,462</td>
<td>1.83</td>
<td>10.7</td>
</tr>
<tr>
<td>American Indian</td>
<td>12</td>
<td>.003</td>
<td>.2</td>
</tr>
<tr>
<td>Other</td>
<td>199</td>
<td>.08</td>
<td>.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>243,801</td>
<td><strong>99.993</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>


These figures do not appear to have changed appreciably during the rest of the decade.

Closely related to the characteristics of postal savings patrons is the geographic distribution of depositors. In fact, by citing the preponderance of immigrants, the poor representation of Blacks, and the closing of fourth class depositories for lack of patrons, the geographic distribution is fairly well described. The bulk of deposits and depositors in 1916 were in industrial cities which contained a large immigrant population, and in Western towns where immigrants worked in mines. Over twenty-five per cent of all deposits were in New York City. As Table 6 (p. 124) shows, sixteen states accounted
Table 6c

The States Showing the Largest Deposits
September 30, 1915

<table>
<thead>
<tr>
<th>State</th>
<th>Amount deposited</th>
<th>% of total deposits</th>
<th>% of U.S. population</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>$21,186,916</td>
<td>30.3</td>
<td>10.1</td>
</tr>
<tr>
<td>Illinois</td>
<td>5,098,146</td>
<td>7.3</td>
<td>6.1</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>4,700,112</td>
<td>6.7</td>
<td>8.5</td>
</tr>
<tr>
<td>Ohio</td>
<td>4,546,699</td>
<td>6.5</td>
<td>5.1</td>
</tr>
<tr>
<td>California</td>
<td>3,772,053</td>
<td>5.4</td>
<td>2.9</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>3,188,284</td>
<td>4.6</td>
<td>3.7</td>
</tr>
<tr>
<td>Michigan</td>
<td>2,429,744</td>
<td>3.5</td>
<td>3.0</td>
</tr>
<tr>
<td>New Jersey</td>
<td>2,166,001</td>
<td>3.1</td>
<td>3.0</td>
</tr>
<tr>
<td>Washington</td>
<td>2,009,403</td>
<td>3.0</td>
<td>1.5</td>
</tr>
<tr>
<td>Minnesota</td>
<td>1,840,492</td>
<td>2.7</td>
<td>2.3</td>
</tr>
<tr>
<td>Missouri</td>
<td>1,827,569</td>
<td>2.6</td>
<td>3.4</td>
</tr>
<tr>
<td>Oregon</td>
<td>1,535,019</td>
<td>2.2</td>
<td>0.8</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>1,510,543</td>
<td>2.2</td>
<td>2.5</td>
</tr>
<tr>
<td>Colorado</td>
<td>1,415,777</td>
<td>2.0</td>
<td>0.9</td>
</tr>
<tr>
<td>Connecticut</td>
<td>1,242,222</td>
<td>1.8</td>
<td>1.2</td>
</tr>
<tr>
<td>Indiana</td>
<td>1,166,410</td>
<td>1.6</td>
<td>2.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>59,635,390</strong></td>
<td><strong>85.5</strong></td>
<td><strong>57.7</strong></td>
</tr>
</tbody>
</table>

Table 6 adapted from Congressional Record, 64 Cong., 1 Sess. (1916), LIII, Part 1, p. 615.

for eighty-six per cent of all postal savings deposits, even though those states contained only 58 per cent of the population.\(^{56}\)

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\(^{56}\)Congressional Record, 64 Cong., 1 Sess. (1916) LII, Part 1, p. 615.
Taking the country as a whole, as of June 30, 1916, there was one depositor to every 172 of the population. But the proportion of depositors to the total population showed a wide divergence from one depositor for every 47 of the population in Nevada to one for every 5,953 in South Carolina, as illustrated in Map 1 (p. 126). Map 2 (p. 127) shows the percentage of each state's population having postal savings deposits, ranging from the low of .057 per cent in North Dakota to 2.14 per cent in Nevada. This compares to a national average of .58 per cent.\textsuperscript{57}

The distribution of depositors in 1916 was dependent on the immigrant population and the extent to which the population lived in cities. Of the sixteen states whose percentage of postal savings depositors exceeded the national average, only Washington, Oregon, California and Arizona were not largely urban, or heavily dependent on industrial or mining enterprises. Most of the states had large immigrant populations. Table 7 (pp. 128-129) indicates the distribution of savings facilities other than postal savings banks by state. The extent to which banking facilities were available had little or no influence on the extent to

\textsuperscript{57}Board of Trustees, Annual Report, 1916, pp. 2-36; information for Maps 1 and 2 was adapted from Postmaster General, Annual Report, 1916, p. 28, Board of Trustees, Annual Report, 1916, pp. 2-36.
PERCENT OF POPULATION HAVING POSTAL SAVINGS ACCOUNTS, 1916

KEY

- Less than .1%
- .1-.499%
- .5-.999%
- More than 1%

Map 2
Table 7d

Savings Facilities and Postal Savings, June 30, 1916

<table>
<thead>
<tr>
<th>Political Subdivision</th>
<th>Savings Facilities</th>
<th>Postal Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>Population</td>
</tr>
<tr>
<td>Alabama</td>
<td>92</td>
<td>25,860</td>
</tr>
<tr>
<td>Alaska</td>
<td>8</td>
<td>8,130</td>
</tr>
<tr>
<td>Arizona</td>
<td>36</td>
<td>7,110</td>
</tr>
<tr>
<td>Arkansas</td>
<td>102</td>
<td>17,060</td>
</tr>
<tr>
<td>California</td>
<td>310</td>
<td>9,480</td>
</tr>
<tr>
<td>Colorado</td>
<td>130</td>
<td>7,400</td>
</tr>
<tr>
<td>Connecticut</td>
<td>125</td>
<td>9,950</td>
</tr>
<tr>
<td>Delaware</td>
<td>22</td>
<td>9,680</td>
</tr>
<tr>
<td>District of Columbia</td>
<td>9</td>
<td>4,045</td>
</tr>
<tr>
<td>Florida</td>
<td>85</td>
<td>10,560</td>
</tr>
<tr>
<td>Georgia</td>
<td>91</td>
<td>31,380</td>
</tr>
<tr>
<td>Hawaii</td>
<td>10</td>
<td>21,600</td>
</tr>
<tr>
<td>Idaho</td>
<td>84</td>
<td>5,110</td>
</tr>
<tr>
<td>Illinois</td>
<td>486</td>
<td>12,660</td>
</tr>
<tr>
<td>Indiana</td>
<td>292</td>
<td>9,650</td>
</tr>
<tr>
<td>Iowa</td>
<td>268</td>
<td>8,300</td>
</tr>
<tr>
<td>Kansas</td>
<td>298</td>
<td>6,140</td>
</tr>
<tr>
<td>Kentucky</td>
<td>140</td>
<td>17,000</td>
</tr>
<tr>
<td>Louisiana</td>
<td>79</td>
<td>23,150</td>
</tr>
<tr>
<td>Maine</td>
<td>113</td>
<td>6,832</td>
</tr>
<tr>
<td>Maryland</td>
<td>63</td>
<td>21,630</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>296</td>
<td>12,560</td>
</tr>
<tr>
<td>Michigan</td>
<td>339</td>
<td>9,010</td>
</tr>
<tr>
<td>Minnesota</td>
<td>265</td>
<td>8,600</td>
</tr>
</tbody>
</table>

### Table 7 (continued)

<table>
<thead>
<tr>
<th>Political Subdivision</th>
<th>Savings Facilities</th>
<th>Postal Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>Population per bank</td>
</tr>
<tr>
<td>Mississippi</td>
<td>97</td>
<td>20,130</td>
</tr>
<tr>
<td>Missouri</td>
<td>329</td>
<td>10,370</td>
</tr>
<tr>
<td>Montana</td>
<td>85</td>
<td>5,400</td>
</tr>
<tr>
<td>Nebraska</td>
<td>216</td>
<td>5,884</td>
</tr>
<tr>
<td>Nevada</td>
<td>27</td>
<td>3,960</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>70</td>
<td>6,330</td>
</tr>
<tr>
<td>New Jersey</td>
<td>200</td>
<td>14,740</td>
</tr>
<tr>
<td>New Mexico</td>
<td>47</td>
<td>8,724</td>
</tr>
<tr>
<td>New York</td>
<td>632</td>
<td>16,250</td>
</tr>
<tr>
<td>North Carolina</td>
<td>83</td>
<td>28,950</td>
</tr>
<tr>
<td>North Dakota</td>
<td>96</td>
<td>7,700</td>
</tr>
<tr>
<td>Ohio</td>
<td>447</td>
<td>11,520</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>200</td>
<td>11,010</td>
</tr>
<tr>
<td>Oregon</td>
<td>134</td>
<td>6,240</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>566</td>
<td>15,050</td>
</tr>
<tr>
<td>Porto Rico</td>
<td>44</td>
<td>27,640</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>41</td>
<td>14,980</td>
</tr>
<tr>
<td>South Carolina</td>
<td>35</td>
<td>46,460</td>
</tr>
<tr>
<td>South Dakota</td>
<td>114</td>
<td>6,130</td>
</tr>
<tr>
<td>Tennessee</td>
<td>95</td>
<td>24,090</td>
</tr>
<tr>
<td>Texas</td>
<td>357</td>
<td>12,400</td>
</tr>
<tr>
<td>Utah</td>
<td>35</td>
<td>12,400</td>
</tr>
<tr>
<td>Vermont</td>
<td>56</td>
<td>6,500</td>
</tr>
<tr>
<td>Virginia</td>
<td>111</td>
<td>19,750</td>
</tr>
<tr>
<td>Washington</td>
<td>165</td>
<td>9,300</td>
</tr>
<tr>
<td>West Virginia</td>
<td>79</td>
<td>15,750</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>284</td>
<td>8,800</td>
</tr>
<tr>
<td>Wyoming</td>
<td>33</td>
<td>5,450</td>
</tr>
<tr>
<td>Totals</td>
<td>7,701</td>
<td>13,440</td>
</tr>
</tbody>
</table>
which postal savings was patronized. South Carolina had
the highest ratio of population to banks, yet the lowest
percentage of postal savings depositors. Nevada had the
highest percentage of postal savings depositors and the
highest ratio of population to banks. 58

The Post Office Department did not keep statistics
showing the grouping of deposit balances according to
size. The only available statistics are on the average
size of deposits. The average deposit increased steadily
from $56,82 in 1911 to $142.67 in 1916. 59 The distribution
of deposits was not uniform throughout the country,
however. As Map 3 (p. 131) indicates, there was a
wide divergence from the low average deposit of $95.24
in South Carolina to the high average deposit of $211.46
in Arizona. 60

As with the racial characteristics, statistics on
the age of depositors were compiled only in 1912.
Table 8 (p. 132) indicates the distribution of depositors
by age groups. The table shows that children from 10
to 14 years old constituted about four-fifths as large

58 Board of Trustees, Annual Report, 1916, p. 37, and

59 For a list of annual average deposits, see
Appendix D.

60 Information for Map 3 adapted from Board of
### Table 8

Number and Percentage of Depositors by Age Group

<table>
<thead>
<tr>
<th>Age Groups</th>
<th>Number</th>
<th>Per Cent</th>
<th>% of population over 10 in group</th>
<th>Ratio of % of depositors to % of population</th>
</tr>
</thead>
<tbody>
<tr>
<td>10-14 years</td>
<td>25,108</td>
<td>10.3</td>
<td>12.7</td>
<td>.81</td>
</tr>
<tr>
<td>15-19 years</td>
<td>20,703</td>
<td>8.5</td>
<td>12.6</td>
<td>.67</td>
</tr>
<tr>
<td>20-24 years</td>
<td>32,529</td>
<td>13.3</td>
<td>12.6</td>
<td>1.06</td>
</tr>
<tr>
<td>25-34 years</td>
<td>70,672</td>
<td>29.0</td>
<td>21.1</td>
<td>1.37</td>
</tr>
<tr>
<td>35-44 years</td>
<td>45,488</td>
<td>18.7</td>
<td>16.2</td>
<td>1.15</td>
</tr>
<tr>
<td>45-64 years</td>
<td>40,977</td>
<td>16.8</td>
<td>18.7</td>
<td>.90</td>
</tr>
<tr>
<td>over 64</td>
<td>7,987</td>
<td>3.3</td>
<td>5.8</td>
<td>.57</td>
</tr>
<tr>
<td>unknown</td>
<td>337</td>
<td>0.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>243,801</td>
<td>100.0</td>
<td>99.7</td>
<td></td>
</tr>
</tbody>
</table>

---


A percentage of the depositors as they do of the country’s population of that age. The 15 to 19 age bracket constitutes about two-thirds as large a percentage, while the ratio is larger than one for the next three age groups (i.e. people 20 to 44 had a larger number of accounts proportionately than other age groups). Since a large percentage of the depositors were immigrants who had a disproportionately small number of children and large number in the middle three age groups, it is
probable that children of native Americans had a larger percentage of deposits than did their parents.

The postal savings system was initially very expensive to establish, and operated at a loss for the first three years. The Postmaster General's Annual Report for 1912 explained the expenses involved in the operation of the system:

On the basis of the present monthly net increase of deposits it is estimated that the gross income of the Postal Savings System for the fiscal year ending June 30, 1913, will amount to $700,000 and the interest payable to depositors to $300,000. The cost of supplies and equipment and the salaries of clerks at the central office during this period will aggregate about $425,000, and to this amount should be added approximately $275,000, representing compensation for the time of post office clerks employed on postal savings work. Thus it will be seen that the estimated income of the system for the fiscal year will meet the amount of interest payable as well as the total expenses of the central office, but will not be large enough to cover also the cost of the clerical work in post offices. It is expected that when the deposits have increased to $50,000,000, which at the present rate they will soon do, the system will be self-sustaining.

The system reached 500,000 depositors during fiscal year 1915 and thereafter was self-sustaining. Postal savings began to accrue a sizeable profit to the government after 1915 because of the differing ways interest was collected by the government on investments

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and paid to depositors on savings. The Third Assistant Postmaster General explained the difference this way:

Interest on deposits [of postal savings funds] in banks is computed on the basis of average daily balances. . . Interest on postal savings certificates is computed on the basis of deposits which have remained one or more full years from the first day of the month following the month in which the deposits were made.62

Thus, if a depositor placed $100 in the system on January 3, 1911, and withdrew it on January 30, 1912, he would receive no interest, because the deposit had not remained one year from the first day of the month following the month in which the deposits were made (i.e. February 1, 1911 to January 31, 1912). On that amount of money, on the other hand, the government would have received slightly in excess of two and one-half dollars.

The amount of interest which depositors were deprived of by these regulations was considerable. In the fiscal year 1916, for example, the average daily balance was $75,852,296. On this amount (less the five per cent reserve fund) the government received $1,764,386 in interest. Had all of the deposits drawn interest, the government would have paid out $1,517,046. The actual amount of interest paid was $964,187, leaving the government with a profit of $800,181. Even after

administrative costs and salaries are subtracted, the net profit to the government exceeded $100,000. 63

Two and one-half per cent Postal Savings bonds were issued under the provisions of the 1910 law to provide a safe and convenient form of government security for the thrifty poor. By 1920, $11,612,160 worth of these bonds had been issued by the government and purchased by depositors. Over half of these bonds, $6,573,420 worth, had been redeemed by the government. 64 Of the redeemed bonds, $4,271,740 were cashed during the war years, and much of the money invested in war bonds. 65

When World War I began in Europe in 1914, the postal savings system was effected in numerous ways. As previously noted, the war curtailed immigrant banks and foreign postal money order service, contributing to an increase in postal savings deposits. But the severance of diplomatic relations with Germany on February 3, 1917, occasioned widespread speculation among foreign language newspapers that the government would seize enemy alien postal savings deposits in the event of war. Postmasters wrote the Postmaster General reporting a substantially

64 Postmaster General, Annual Report, 1920, pp. 110-111.
high number of withdrawals in early 1917 by German and other immigrants who feared government seizure. An announcement issued by the Postmaster General in March and posted in all Post Offices indicated that no such seizure would take place. This announcement served to stop the withdrawal of funds for a short period, but when the United States entered the war in April, 1917, deposits declined and withdrawals increased. The amount credited to depositors continued to increase during the war, because of the increase in the maximum allowable to $2500 in 1918, but the number of depositors dropped from 674,728 in 1917 to 565,509 in 1919.

Third Assistant Postmaster General Dockery sent letters of inquiry to postmasters whose accounts showed an excess of withdrawals over deposits. The replies indicate that most of the money withdrawn was immediately invested in war savings bonds. As a reply from the postmaster of Butte, Montana to one of Dockery's letters

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66 Letters of 319 postmasters to Third Assistant Postmaster General A. M. Dockery, Records Group 28, National Archives.
67 Message from Third Assistant Postmaster General A. M. Dockery to all postmasters of postal savings depositories, dated 7 March 1917, Records Group 28, National Archives.
68 Postmaster General, Annual Report, 1919, pp. 87-88.
69 Letters of 418 postmasters to Third Assistant Postmaster General Dockery, various dates, 1917-1919, Records Group 28, National Archives.
indicates, the fears of some immigrants that the government would seize deposits persisted despite official notices to the contrary:

The patriotic Americans are withdrawing their money to buy war bonds, while the foreign sort are putting theirs under their mattress to hide it from government seizure. 70

The 1910 act empowered the Board of Trustees to utilize postal savings deposits to purchase government bonds. The original intent had been to finance the redemption of two and one-half per cent government currency bonds. As the Federal Reserve Act was finally passed, this provision was unnecessary, and the Board of Trustees did not make use of the power until the United States entered World War I. In 1918 the Board purchased $14,000,000 in Liberty Loan bonds, and in 1919 $25,000,000. 71

Third Assistant Postmaster General A. M. Dockery declared the postal savings system contributed significantly to the success of war bond drives:

It may be asserted with confidence that the establishment of postal savings banks in this country, with the avowed purpose of encouraging economy and thrift and enabling the people to own Government bonds of small denominations, played an important part in the successful placing of the Government war loans. Those


charged with the duty of installing and developing the banks soon learned that the advantages of every new public facility must be kept constantly before the people until the number of individuals making use of it is sufficient to give it a status as an accepted and familiar function of government, particularly so when the individual is called upon to change his manner of daily living in order to avail himself of the benefits of the facility. It is a well settled fact that the savings habit must not only be aroused—it must constantly be fostered. Profiting by this experience the department lost no opportunity to keep the advantages of postal savings banks before the people during the years which preceded the World War, and during the continuation of it up to the time the Government financing began. This activity no doubt did much to dissipate the thought among the people that the underwriting of Government loans was the peculiar function of the banking world and that only the wealthy could be bondholders; it familiarized the people generally with Government bonds of small denominations, and placed many of them in a position financially where they could acquire them.72

At the end of its first decade, the postal savings system had proved its worth. It grew to a size sufficient to be self-sustaining and served more than 700,000 depositors. The system won the support of many who had opposed it, including the banking community, and had materially assisted in financing World War I. Much of the success of the system in its first decade was due to the dedication and hard work of Carter B. Keene, the Director of the Postal Savings System from 1913 to

72Postmaster General, Annual Report, 1919, p. 91.
1921, and Third Assistant Postmaster General A. M. Dockery, who served during the same period. Both men were Democratic appointees, members of the party which had opposed the system in 1910. Ironically, the system's second decade, under the administration of Republicans, the party which passed the bill in 1910, was to be one of declining service, shrinking deposits, and fewer depositors.
Chapter V

The System in the Twenties, the Depression, and World War II

At the end of World War I the United States government was faced with a vast war debt and the need for still more money for the costs of reconversion. The post war depression complicated the financial situation, and the government was forced to borrow huge sums of money from the private economy. Several suggestions were offered to alleviate the government's financial problems, most of them drawing on wartime financing experience. Among the more prominent proposals were several which suggested that more money could be borrowed by the government in increasing the amount on deposit in the postal savings system.

Eugene Meyer Jr., a New York banker and an advisor to the Senate Committee on Reconstruction and Production, made the improvement of the postal savings system central to his plans for reconversion. Meyer argued that the system as it then existed placed the government in a ridiculous situation. Sixty-five per cent of the money deposited by postal savings patrons was immediately
redeposited by the government in local banks at two and one-half per cent interest. The local banks were subsequently lending the same money back to the government at five and three-quarters or six per cent interest in the form of treasury bonds. As the bonds were tax-free, the government was, in effect, losing the potential taxes on the money in addition to paying interest for the use of its own money. Meyer calculated that the combination of high interest rates and the tax-free provision meant that the government was actually paying six and one-half per cent to the banks for the use of money the government had placed in the banks.¹

Meyer suggested that by making improvements in the postal savings system and making the system more attractive to depositors, the system could provide the government with sufficient money to meet government expenditures at a much lower rate of interest than was currently being paid, and in addition provide better service to postal savings patrons. Meyer would have improved the system by amending the law to allow the government to retain all deposits, thereby eliminating the banker middle-men. To make the system more attractive and increase the amount on deposit, Meyer suggested

several revisions: raising the interest rate above two per cent to become competitive with other savings institutions; paying interest on money left less than one year; expanding the number of post offices accepting deposits; and paying postmasters an incentive fee for bringing in additional postal savings depositors.

Meyer was highly optimistic about the amount which could be attracted if his plan were adopted:

If a higher interest-rate were allowed on postal savings, and if all of the 55,000 post-offices were permitted to accept deposits, we could change the psychology of spending into the psychology of saving. Five hundred million dollars a year is a low estimate for the difference in this matter alone. It would bring forth from timorous hoarders a minimum of $250,000,000 in coin and currency to restore to circulation, and would save at least $200,000,000 of the estimated $500,000,000 that is lost each year by people who put their surplus money into wildcats.

Meyer's proposal would have had the effect of entirely changing the original purpose of the postal savings system. As established in 1911, the system was designed to be an institution for the promotion of thrift among those who would not otherwise invest their money in banks. The provision to allow the government to borrow money from the system was added only to answer

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2Ibid.

3"What the Postal Savings-bank might be, but is not," Literary Digest, January 29, 1921, p. 74.
the Constitutional objections of some Senators. Had Meyer's suggestions been adopted, the system would have become primarily a means of financing the government debt in direct competition with private enterprise.

Many bankers were disturbed at the prospect of changes in the system such as Meyer suggested. Direct government competition and the loss of government business would have been a severe blow to most banks. The bankers realized that a postal savings system paying a rate of interest equivalent to that paid by private banks would be in a superior competitive position, because the system could offer all that private banks offered, plus the government's guarantee of the security of the deposits. The American Bankers' Association appointed a committee to oppose such a scheme.⁴

Meyer was not the only critic of the postal savings system. After World War I, a number of people took the system to task for various reasons. The most prominent of these was Herbert Hoover, who was asked by the Wilson administration to study the government to determine ways of improving governmental efficiency. Hoover came to the conclusion that the system could be made more attractive to depositors without becoming competitive with banks.

⁴ABA, Proceedings, 1921, p. 138.
He advocated minor changes in the existing system, mainly the crediting of interest on a quarterly rather than annual basis, and was very harsh in his judgement of the benefits the system provided to patrons. As the system was operating, Hoover felt that the government was cheating postal savings depositors:

Even the 2 per cent. allowance of the original act has been defeated by the departmental regulation which decrees that no interest at all be paid except on deposits that remain untouched a full year. An examination of the annual reports reveals the fact that depositors do not receive much in excess of 1 per cent. For example, in 1918 the average deposits were between $125,000,000 and $130,000,000, and the interest paid to depositors was $1,259,000.

Not only is the System subject to criticism for this, but the same annual reports show that profits obtained by the Government in 1918, chiefly from redeposit in banks at 2½ per cent., amounted to $1,135,000. If a complete balance-sheet were made from the beginning, it would probably show a 100 per cent. per annum profit on any capital invested by the Government in the early years of the System, and on any capital extension that has been necessary in the Post-office Department.

Such an operation in private banks would be dignified by the term "profiteering," and a public demand would require a rigid investigation by the attorney-general.5

When Warren G. Harding was elected President in 1920, he appointed Will H. Hays Postmaster General. Hays was interested in promoting the postal savings system, and during his term in office worked vigorously to

5"What the Postal Savings-bank might be, but is not," p. 74.
improve and extend postal savings service to those who were not already depositors in some savings institution. Hays was careful not to institute any changes which would bring the postal savings system into competition with existing banks. This attitude was consistent with the Republican policy of cooperation with business in the 1920's. Hays made frequent statements denying intention on the part of the government to compete with private banks. These statements were designed to allay any fears bankers might have had that Hays' proposals had the intent of instituting a new system like the one proposed by Arthur Meyer.

The Government is not in the banking business for profit. The Government is in the banking business to facilitate the increase in national savings and promote economy and thrift. The postal savings has probably not scratched the surface, notwithstanding the magnificent conception of public duty that inspired its founding. The postal savings shall not compete with savings banks. We do not want depositors from savings banks.6

Two months after taking office Hays transferred the Postal Savings Division from the office of the Third Assistant Postmaster General back to the office of the Postmaster General, restoring the original organizational status of 1911 and placing the system under his direct supervision.7 To make the system more attractive to

6 Postmaster General, Annual Report, 1921, pp. 84-85.
7 Ibid., p. 84.
potential depositors, Hays made arrangements to allow the transfer of savings from one post office to another without the requirement to close one account and open another. This new system was not only a convenience to depositors, but also allowed the continuity of an account without any lapsing of interest payments. To promote the system, arrangements were made through the Commissioner General of Immigration to distribute leaflets, printed in twenty-four foreign languages, to immigrants at ports of debarkation.

Hays recommended to Congress several changes in the original law to make the system more attractive to the large number of people who he felt were potential depositors but were hoarding their money rather than making use of the system. The most important recommendation was to increase the interest rate from two to three per cent. Hays did not consider the three per cent rate competitive with private savings institutions, since most banks were paying four per cent or more on their deposits. In his public statements explaining the request, Hays took great pains to emphasize that the increase was

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8Ibid., pp. 85-86.
9Ibid., p. 86.
10Ibid., p. 85.
designed only to bring out money from hoards, and not
to compete with private banks:

Postal savings will not compete with savings-
banks. We do not want depositors from savings-
banks. But there is a tremendous hoarded wealth
in the country, estimated by many well informed
at a billion dollars. The savings-banks can
not bring it out. The postal savings has not
yet brought it out. Nothing can bring it out
but the faith in the security of the Government
of the United States and a larger interest
return on the deposits and the acquainting of
the holders with our purpose and their
opportunity.

This we hope to do. This money is needed
in circulation now. If a billion dollars can
be brought out of stockings and closets and
saved from waste and "wildcats" it will do
incalculable good. It will make general bank
depositors and ultimate government-bond owners
out of the timorous; it will give small capital
a chance for an honest return the same as
large capital; it will furnish the tonic to
conclude the business convalescence in the
country and will help make economy and thrift
a national trait much needed.

Hays' recommendations were incorporated in a bill (H.R.
8334) submitted by Representative Halvor Steenerson
(R-Minn.) on August 19, 1921.12

One additional change not included in the original
version of H.R. 8334 was subsequently recommended by Hays
as a result of an experiment the Postal Savings Division
carried out and found quite successful. The Post Office
Department had secured the cooperation of the Treasury

11"Uncle Sam to Coax a Billion from the People's
Stockings," Literary Digest, LXX (July 23, 1921), 12.

12Congressional Record, 71 Cong., 1 Sess., (1921)
LXI, Part 5, p. 5301.
Department, and a poster issued by the government in 1921 commemorating the three hundredth anniversary of the first Thanksgiving also carried an advertisement promoting treasury bonds and the postal savings system. This poster was distributed to schools throughout the country. As a result of the widespread response the poster generated from young children, Hays advocated lowering the minimum age for depositors. The post office, Hays argued, could work with public schools to encourage thrift, and experimental projects were undertaken to show the benefits and feasibility of such thrift campaigns.\(^\text{13}\)

While Congress debated the proposed changes, Hays proceeded with improvements to the system which did not require Congressional action. On January 1, 1922, the post office department began computing and crediting to depositors monthly interest on postal savings deposits which were surrendered for Treasury Savings Bonds. The method of transferring depositor's accounts between post offices was simplified in 1922. In the same year, a more simplified certificate of deposit was designed and placed in use in the system.\(^\text{14}\)

Representative Steenerson's proposal for improvements

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\(^{13}\) Postmaster General, *Annual Report, 1922*, pp. 56-57

\(^{14}\) *Ibid.*
in the postal savings system was approved by the House of Representatives in 1921, but the Senate Post Office and Post Roads Committee never held hearings on the bill.\textsuperscript{15} Two factors account for the failure of Congress to make the recommended changes in the system. By 1922, the post war depression and the government's demand for money had ebbed, and the desirability of improving the postal savings system to provide low cost loans to the government no longer motivated Congress. On March 1, 1922, Will Hays resigned from Harding's cabinet to head the movie industry's self-censorship organization, the National Board of Review of Motion Pictures. Hubert Work, who succeeded Hays, had little interest in postal savings and did not work for the promotion of the system. On April 1, 1922, he transferred the Postal Savings Division back to the office of the Third Assistant Postmaster General.\textsuperscript{16}

Only two other significant changes in the postal savings system occurred during the 1920's. On December 15, 1921, fingerprints were added to postal savings certificate forms to facilitate the identification of depositors, particularly immigrants, who could speak little English. This change was designed primarily to protect postal employees, who could be held liable for improper disposition.

\textsuperscript{15}Congressional Record, 71 Cong., 1 Sess. (1921), LXI, Part 8, p. 8154.

\textsuperscript{16}Postmaster General, Annual Report, 1922, p. 56.
of postal savings funds. By resolution of the Board of Trustees, the method of computing interest was changed. Effective January 1, 1924, a depositor could receive interest on a deposit withdrawn before a full year. Interest was to be paid (but not compounded) on a quarterly basis.

The 1920's can be characterized as a period of stagnation for the postal savings system. The decade began with a balance to the credit of depositors of $157,276,322, dropped to a low of $141,671,300 in 1923, and increased to $153,644,529 in 1929. The number of depositors decreased over the decade from 508,508 in 1920 to 416,584 in 1929. In five of the ten years (1920-1923, 1925) there was a decrease in the amount credited to depositors at the end of the year, and in only one year (1927) did the amount of increase exceed the amount of interest paid. The average principal per depositor increased from $309.29 in 1920 to $368.82 in 1929.

The steady decline in deposits between 1920 and 1924 is attributable in part to the availability of treasury savings bonds, which provided the same security as postal savings deposits, but paid a greater rate of interest.

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17 Ibid., p. 57.
19 Postmaster General, Annual Reports, 1920-1929, passim.
interest. The government was interested in promoting the sale of these bonds, and had made provisions for the easy transfer of postal savings funds into treasury bonds. Although no figures are available as to the amount of postal savings funds which went into treasury bonds, reports of the Postmaster General indicate that treasury bonds drew considerable funds from the postal savings system. On July 15, 1924, sale of treasury securities was suspended, leaving only the two and one half per cent postal savings bonds available for depositors who desired to invest their money in securities more profitable than postal savings deposits. 20

If the decade of the 1920's is characterized as one of stagnation for the postal savings system, the decade of the 1930's was one of sudden expansion, followed by slow growth and the addition of a new function for the Postal Savings Division.

The reason for the sudden growth of the system in the early 1930's was the large number of bank failures during the first years of the depression. Postal savings was originally devised as a safe depository for people who did not trust banking institutions, and as bank failures multiplied in the early 1930's, many people turned

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to the system for a secure depository for their money.

Bank failures had long plagued the American economy, and had been a major reason for the establishment of the postal savings system. The 1920's did not demonstrate a particularly high number of bank failures, compared to other decades, and yet between November 1, 1919 and October 31, 1928, 628 national banks had closed because they were insolvent. Bank failures increased in frequency in the months just prior to the stock market crash of 1929, and by September the failure rate was alarmingly high. Bank failures had occurred locally and caused a flurry of activity in local postal savings depositories prior to 1929, but this activity had not had significant impact on the postal savings system nationwide. By September of 1929, enough activity in postal savings deposits connected with bank failures had been noted nationally to occasion editorial comment from the *Literary Digest*:

> The recent bank failures in New York City, it seems, have been frightening thousands of people of foreign extraction so that they have been withdrawing their money from banks paying as much as 4 1/2 per cent. interest and depositing it as Postal Savings, paying only 2 per cent. According to a report in the *New York World*, the fright caused by the closing of the City Trust Company was made

evident when 285,000 dollars more was deposited in Postal Savings than during May, while July showed an increase of $24,925 over June. A New York City post-office official is quoted as saying whenever a bank fails in a foreign district, there is an immediate influx of depositors to the Postal Savings. 22

As the depression deepened after the stock market crash, the number of people who turned to postal savings to safeguard their money increased rapidly. Figures for fiscal year 1930 (ending June 30, 1930) showed an increase of 49,817 depositors and $21,849,685.14 in deposits. 23 Increases in the next three years were even more dramatic. The number of depositors rose from 466,401 in 1930 to 770,859 in 1931, more than doubled to 1,545,190 in 1932, and increased again in 1933 to 2,342,133. The amount credited to depositors almost doubled each of those years. 24

The number of insolvent national banks reported to the Comptroller of the Currency indicates the correlation between bank failures and postal savings deposits, and that depositors had real reason to fear for their money. Seventy-nine banks closed during the year ending October 31, 1929. The 1930 figure was one hundred four, and for the next four years the number of failures were

22 Literary Digest, CIX (September 7, 1929), p. 69.
23 Postmaster General, Annual Report, 1930, p. 47.
24 Postmaster General, Annual Reports, 1930-1933, passim.
369, 380, 348 and 395, respectively. This represents only the number of closures, not including banks which were later able to reopen. And these are the figures only for national banks, considered the most conservative and stable of banks, and do not include state and private banks, building and loan associations or mutual savings banks.

Supporters of postal savings legislation had earlier pointed out that the system would work as a hedge against bank failures. Money withdrawn from local banks during a run was redeposited in the same banks by local postmasters, providing additional currency to aid the banks in remaining solvent. Postal savings was not enough to forestall the closing of many banks during the depression, but many business leaders recognized its value. As Business Week commented:

Bank failures and disturbed confidence have sent postal savings deposits rapidly upward during the past year. End of September estimates place the total at $457 millions, a growth of 145% in the past 13 months. The September rise alone was $43 millions. While the growth has been general, it has been steepest in areas where bank failures have been heaviest. Thus postal deposits may be taken as a barometer of confidence in banks.

The postal system is again an important factor in decreasing the amount of funds that otherwise would go into hoarding, and in that

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way a factor tending to decrease the strain on banks. About 84% of money frightened into the postal system is directly redeposited in banks. The balance goes into government bonds and thus indirectly back to the banks. 

Bankers nevertheless were disturbed by the operation of the postal savings system, arguing that the system provided a refuge for funds which, if the system did not exist, would not have been withdrawn from banks in the first place. As postal savings funds were re-deposited in local banks, bankers had to increase the amount of secured collateral they held to cover the increased deposits. This required the bankers to reduce somewhat their available working capital for the purchase of securities, although not by an amount in excess of the postal savings funds re-deposited in the banks. In 1931 some banks, balking at the additional securities required, began setting limits on the amount of postal savings funds they would accept. 

The Hoover administration, following the pattern of the Taft administration, looked to the postal savings system for help in alleviating the nation's financial difficulties. Walter F. Brown, Hoover's Postmaster General, estimated that a billion dollars had been taken

26 Business Week, October 21, 1931, p. 7

out of circulation and hoarded by timid persons who feared losing their savings in banks. This money had not been deposited in the postal savings system, Brown argued, because of the $2,500 limit. Brown felt that the governmental guarantee of security was sufficient to bring this money out of hoards and into the postal savings system, if only the maximum did not prevent deposits in excess of $2,500. Accordingly, Brown recommended increasing the maximum allowable deposit to $5,000.  

The hoarded money theory was compatible with Hoover's explanation of the depression as a lack of public confidence in the system. Using the postal savings system to draw the money out of hoards was typical of Hoover's aversion to governmental interference with the business community. Through postal savings, the government could aid the banks without cost to the government or direct governmental interference with or regulation of the banks.

Several proposals to raise the maximum deposit were introduced by Republicans in both the Seventy-first and Seventy-second Congresses. The Seventy-first Congress adjourned before action could be taken on any postal savings proposals. The Seventy-second Congress was controlled by the Democrats, who were desirous of a more fundamental reform.

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of the banking system, and blocked any proposals to increase the deposit limit.  

As the Roosevelt administration took office in March, 1933, the economic chaos in the banking industry had reached crisis proportions. Responding to this situation, Roosevelt proclaimed a bank holiday and called Congress into special session to deal with the banking emergency. On June 16, 1933, the Glass-Steagall Banking Act (the Banking Act of 1933) was signed into law, incorporating as part of the fundamental changes in the banking industry a Federal Deposit Insurance Corporation very similar to the deposit insurance program Bryan had proposed. The act also made two changes in the postal savings system. A depositor was required to give sixty days notice to withdraw all of his funds with accrued interest, although he could withdraw a portion of his funds at any time and still receive interest on the balance, or he could withdraw all his funds at any time, but would forfeit the current year's accrued interest. As an aid to bankers, banks participating in the Federal Deposit Insurance Corporation were no longer required to provide collateral for postal savings funds deposited with

them by local postmasters.\textsuperscript{30}

The Democrats had chosen to de-emphasize the postal savings system as an instrument of fiscal policy, depending instead on more fundamental reforms in the banking industry to lessen the hardships of bank failures. Roosevelt's Postmaster General, James A. Farley, showed little interest in the system initially, and did not renew the recommendation of raising the maximum limit on deposits. That proposal was lost in the shuffle of more important legislation for the banking industry. As part of the de-emphasis of postal savings, services which had been instituted to make the system more attractive to depositors were curtailed. Effective September 15, 1933, the privilege of free transfer between post offices was suspended. In 1935, the clerical force in Washington was reduced from 87 to 73.\textsuperscript{31}

Federal Deposit Insurance, which gave governmental guarantees to deposits in participating banks, undercut much of the appeal of the postal savings system. The advantage of government security for deposits could now be offered by banks other than the postal savings depositories, and the

\textsuperscript{30}"An act to provide for the safer and more effective use of the assets of banks . . . and for other purposes," 1933--ch. 89, \textit{U. S. Statutes at Large}, XLVIII, Part 1, p. 182.

\textsuperscript{31}Postmaster General, \textit{Annual Report, 1934}, pp. 28-29; \textit{Annual Report, 1935}, p. 27.
only advantage left to postal savings was convenience in those areas where there were few banks and safety where the local banks refused to join the Federal Deposit Insurance Corporation. Many people continued to use the system for quite some time because they still distrusted banks. The suspicion and hatred which had been built up over many years could not be ended by the mere passage of a law.

The combination of the system's loss of advantages and the Democratic de-emphasis served to slow postal savings deposits. In fiscal years 1934 and 1935, the amount credited to depositors increased slightly, but the amount of increase was less than the amount of interest credited to depositors' accounts.\^\text{32}

For the first two years of the Roosevelt administration the postal savings system was neglected, but by February, 1935, the administration found a new use for the system. The heavy expenditures of the early depression years had amassed a huge government debt, and mounting budget deficits increased the debt. In addition, the Liberty Bonds issued to finance World War I would begin to mature in 1937. To provide funding for these expenses, the Second Liberty Bond Act was amended to

\[^{32}\text{Postmaster General, Annual Report, 1934, p. 28; Annual Report, 1935, p. 27.}\]
provide for the public sale of treasury bonds once again. Treasury bonds had last been available to the public in 1924. To encourage the purchase of these bonds, the sale of postal savings bonds was discontinued after July 1, 1935.33

In establishing the new bond sales campaign, the experience of the postal savings system was drawn upon heavily. Bond sales were placed under the Division of Postal Savings. Postmasters were made the agents for sale of the bonds, and provision was made for easy conversion of postal savings deposits into bonds. The sale of postal savings stamps was discontinued, and "United States Savings Stamps" were substituted. These could be pasted on a form, provided free to the patron, and when the face value of the stamps was sufficient, the stamps could be turned in for bonds.34 In short, the sales of savings bonds was to be identical to the sales of postal savings certificates.

There was no provision for a minimum age to purchase bonds, and the post office was able to apply

34 Ibid.
the experience gained from Postmaster General Hays' experiments with young children. Successful bond campaigns were conducted each year in coordination with school systems throughout the country. The bonds proved very popular, and in the first year of sales the combination of school campaigns and over-the-counter sales brought in $96,365,587.50. $35$

Between 1935 and 1952 the Division of Postal Savings was the agency responsible for the sale of United States Savings Bonds. During this time, the name of the bonds underwent several changes, returning to "savings bonds" after World War II. In 1952, an administrative order of the Postmaster General created a new Division of United States Savings Bonds under the Assistant Postmaster General for Finance. $^{36}$ Table 9 (p. 162) indicates the amount of bonds and stamps sold by the Postal Savings Division.

Until the United States entered World War II, the Postal Savings Division was occupied mainly with the sale of savings bonds. The amount on deposit in the system increased slightly, from $1,187,186,206 in 1933 to $1,293,408,735 in 1940, an increase smaller than the


Table 9

Bonds and Stamps Sold by the Postal Savings Division

<table>
<thead>
<tr>
<th>Year</th>
<th>Purchase value of bonds sold</th>
<th>Value of stamps sold</th>
</tr>
</thead>
<tbody>
<tr>
<td>1935</td>
<td>$ 96,365,587.50</td>
<td>$ 62,180.80</td>
</tr>
<tr>
<td>1936</td>
<td>203,881,893.75</td>
<td>64,141.50</td>
</tr>
<tr>
<td>1937</td>
<td>412,863,787.50</td>
<td>61,528.50</td>
</tr>
<tr>
<td>1938</td>
<td>416,779,218.75</td>
<td>58,225.70</td>
</tr>
<tr>
<td>1939</td>
<td>567,007,406.25</td>
<td>58,548.20</td>
</tr>
<tr>
<td>1940</td>
<td>849,180,000.00</td>
<td>84,023.25</td>
</tr>
<tr>
<td>1941</td>
<td>736,325,887.50</td>
<td>6,310,984.90</td>
</tr>
<tr>
<td>1942</td>
<td>956,754,675.75</td>
<td>314,708,228.55</td>
</tr>
<tr>
<td>1943</td>
<td>1,255,666,575.75</td>
<td>428,317,121.15</td>
</tr>
<tr>
<td>1944</td>
<td>1,563,578,568.75</td>
<td>405,219,321.10</td>
</tr>
<tr>
<td>1945</td>
<td>1,180,198,331.25</td>
<td>275,531,131.10</td>
</tr>
<tr>
<td>1946</td>
<td>619,509,000.00</td>
<td>91,667,543.40</td>
</tr>
<tr>
<td>1947</td>
<td>426,714,375.00</td>
<td>24,700,908.05</td>
</tr>
<tr>
<td>1948</td>
<td>369,282,093.75</td>
<td>16,431,684.10</td>
</tr>
<tr>
<td>1949</td>
<td>368,181,468.75</td>
<td>15,067,254.50</td>
</tr>
<tr>
<td>1950</td>
<td>328,423,687.50</td>
<td>13,876,750.05</td>
</tr>
<tr>
<td>1951</td>
<td>267,191,418.75</td>
<td>14,518,796.30</td>
</tr>
<tr>
<td>1952</td>
<td>269,177,062.50</td>
<td>17,042,051.55</td>
</tr>
<tr>
<td>Totals</td>
<td>10,787,081,039.00</td>
<td>1,624,780,423.55</td>
</tr>
</tbody>
</table>

Table 9 adapted from Postmaster General, Annual Reports, 1935-1952, passim.

amount of interest paid in those years. The only

innovation in the system was the reissuance, on April 1, 1940, of the postal savings stamps which had been discontinued in 1935. At the request of the Treasury Department, the sale of postal savings stamps was again discontinued on May 1, 1941, when a new series of stamps was issued for the purchase of savings bonds. These were called "Defense Savings Stamps," to reflect the change in name from "Savings Bonds" to "Defense Savings Bonds" which also took place in 1941.

When the United States entered World War II, the energies of the postal savings system were turned immediately to helping finance the war. A new series of "War Bonds" and "War Savings Stamps" were issued, replacing the "Defense Savings Bonds" and "Defense Savings Stamps." The Postal Savings Division continued to have the responsibility of selling the bonds. Utilizing the thrift promotion techniques the postal savings system had experimented with earlier, the post office began a campaign to encourage the purchase of war bonds. Businesses were encouraged to include slogans in their advertising urging the public to buy war bonds. Public speaking tours were arranged for prominent people.

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39 Postmaster General, Annual Report, 1941, p. 35.
to promote the sale of bonds. Newspapers and magazines placed small advertisements throughout their pages urging the patriotic to support the fighting men by buying war bonds. Radio stations ran public service announcements on war bonds. Nearly every major comic strip carried a weekly notation "buy war bonds." One of the most successful campaigns the Postal Savings Division carried out was the sale of war savings stamps through the schools. Promotional literature was distributed to school boards for redistribution to school children, and patriotic posters for the schools were prepared containing a notation to "buy war bonds." The approach recommended by the Postal Savings Division was a thrift campaign. Students were encouraged to earn the money to buy their own stamps regularly, and one day a week the teacher was to collect the money for savings stamps.

of the $5,692,524,039.00 worth of bonds sold during the war years, $1,430,086,787.65, or nearly twenty-five percent, was from the sale of war savings stamps. The great majority of these stamps were sold to school children through the savings stamp drives. 40

Under the provisions of the original act, when the President declared a national emergency, postal savings funds could be withdrawn from local banks and

40 Postmaster General, Annual Reports, 1942-1945, passim.
placed in treasury bonds. This provision had been utilized during World War I, and was implemented again during World War II. By the end of the war, another $2,223,404,667.40 worth of financing for the war effort was provided through this means. Not all the postal savings funds could be withdrawn from the banks for this purpose, as a working capital had to be maintained, but approximately eighty-three per cent of all postal savings funds were placed in treasury bonds during the war years. Combining war bond sales and treasury bonds purchased with postal savings deposits, the Postal Savings Division provided $7,915,928,706.40 to help finance the war effort.

The Postal Savings Division was busy with the sales of war bonds and war stamps during World War II, but to this burden was added a rapidly increasing number of deposits and depositors in the postal savings system. In 1941 the system held $1,304,153,274 to the credit of 2,882,886 depositors. By 1945, 3,921,937 depositors had accounts totaling $2,659,574,961.

Part of this expansion was due to the increased earnings by the public in defense industries, but this cannot account for the entire increase. The number of

depositors and amount on deposit had not increased significantly between 1933 and 1941, as would have been the case if availability of jobs were the only cause of the increase. The American economy had improved considerably during those years, yet the new working force did not patronize the postal savings system to any appreciable extent. This would have been especially noticable in the figures for 1941, when American industry was producing supplies for the Allies prior to American entry in the war. Yet the figures for 1941 indicate an increase in deposits of only eight-tenths of one percent, less than the amount of interest added to depositors' accounts during the year.43

In reply to a letter from the Third Assistant Postmaster General inquiring about bond sales, several local postmasters commented on the large number of postal savings deposits being received from soldiers away from home.44 Banking by mail as a regular service of private banks was not widely used until after World War II.45 The lack of this service by private banks left the postal savings system the only widely available depository for American servicemen overseas or at bases distant from

43 Postmaster General, Annual Report, 1941, p. 35.
44 Letters of 72 postmasters to the Third Assistant Postmaster General, 1942-1946, records group 28, National Archives.
45 ABA, Proceedings, 1946, p. 84.
their homes. It is probable that the greater part of the increase in deposits in the system came from soldiers. When the American Bankers' Association endorsed bank by mail service for its members, the committee studying the proposal could find no evidence that soldiers' deposits had caused the increase in postal savings deposits during the war, but surmised that this was the case and advocated banking by mail service as a means for local banks to gain these deposits. 46

For a short period after World War II, the postal savings system continued to grow. In 1946 deposits increased 17.3 per cent to $3,119,520,810. In 1947 the system reached its apex: 4,196,517 depositors had accounts totaling $3,392,621,491, an increase over 1946 of 8.75 per cent. 47

Chapter VI

The Post War System

After 1947 the postal savings system began to lose ground very rapidly, both in deposits and depositors. The loss of depositors occurred at a much quicker rate than depositors had been won to the system prior to 1947. There was no sudden change in economic factors which resulted in the decline of the system. Rather, several factors which had existed prior to 1947 converged and ultimately resulted in the demise of the system.

The most important influence was the success of the Federal Deposit Insurance Corporation, and its companion organization for savings banks, the Federal Savings and Loan Insurance Corporation. Bank suspensions among member institutions became a rare occurrence, and in those few instances where suspensions did occur, depositors were reimbursed for their losses by the corporation. Between 1933 and 1947, only twenty-one member banks suspended operation, all but two of these between 1934 and 1941.¹ By 1947 the proven safety of

government insured banks had undercut the major attraction of the postal savings system, security of deposits. Without this advantage, postal savings could not compete with private financial institutions offering higher rates of interest on deposits.

Other features of the system which had aided its success were also weakened after the war. The major source of patronage in the first decade had been immigrants. Immigration restriction legislation in 1921 drastically reduced the number of foreigners entering the United States annually. The National Origins Act of 1924 placed very low quotas on the Eastern and Southern European countries. This adversely affected postal savings, because immigrants from those countries were most prone to patronize the system. While 7,572,509 immigrants came to the United States between 1910 and 1921, only 4,796,492 entered between 1922 and 1945.\(^2\) As natural attrition reduced the number of resident aliens in the country, the largest source of potential patrons of the system also dwindled.

The convenience of the postal savings system was one of the major advantages stressed by advocates of the bill in 1910. By 1947 most of this advantage had been

obviated by technological advances, the growth of the banking industry, and changes in banking practice. The automobile brought many rural dwellers, who had been expected to utilize the system extensively, within minutes of private banks. As more and more roads were paved, travel to cities where banks offered better interest rates than the postal savings system became easier. For those who did not want to travel to the local banks, bank by mail service, expanding rapidly after World War II, provided the same convenience as postal savings. After the war many banks began to leave their doors open longer for the convenience of their customers. This removed the advantage postal savings had had with savers who had been unable to get to the bank during the hours it was open.

In 1910 the banking industry was not able to provide service to large areas of the country. By the 1940's, the expansion of the banking industry and improvements in the transportation system resulted in a situation where the industry was not only able to provide service to the entire country, but was consolidating because the number of banks was excessive to the needs of the country. In 1936 there were 15,803 banks in the United States, but by 1947 consolidations and voluntary liquidations had reduced this number by seven per cent,
to 14,755. As of 1946, sixty-eight per cent of the nation's cities and towns had both banks and postal savings depositories. Furthermore, the bulk of deposits in the postal savings system were in first class post offices, which were generally located in larger cities and towns where banking facilities were readily available. Figure 1 (p. 172) indicates this differential.

By 1947, private banks had become a secure place of deposit for all the savers the postal savings system had been designed for except those who mistrusted the banking industry. They still had to rely on the postal savings system, although they could place their money in savings bonds. Bonds offered a higher rate of interest than postal savings, but did not provide comparable conveniences.

After World War II, all these factors combined to make postal savings an outmoded institution. The decline in deposits began in 1948 and continued through the rest of the system's history. In addition to the factors

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5 Figure 1 adapted from U. S. Congress, Senate, Committee on the Post Office and Civil Service, Hearings on the Discontinuation of the Postal Savings System, 89 Cong., 2 Sess. (1966), p. 10. Hereafter cited as Senate, Hearings on the Discontinuation of the Postal Savings System.
USAGE BY CLASS OF OFFICE

Figure 1
mentioned above which placed the system at a disadvantage, the post-war economy contributed to the decline in deposits. Demobilization brought home soldiers from overseas who were anxious to spend their savings. Consumer goods long denied many Americans during the depression and war were becoming more readily available. And the timid who had withdrawn their money during the bank failures of the depression were becoming convinced of the efficacy of the Federal Deposit Insurance Corporation.

By 1950 the number of depositors had fallen from nearly 4.2 million to 3,779,784, and the amount credited to patrons had declined to $3,097,316,449. This represents a decrease in both categories of approximately ten per cent in three years. This rate of decline continued, as figures 2 (p. 173) and 3 (p. 174) show.

The decline in deposits is also reflected in the elimination of depository offices. Continuing the policy established in the Wilson administration, the Post Office Department periodically evaluated the status of post offices as postal savings depositories. In 1947, 8,141 post offices were designated depositories. There was a lag in phasing out depository offices, so that the number

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7 Figures 2 and 3 adapted from Postmaster General, Annual Reports, 1911-1967, passim.
POSTAL SAVINGS DEPOSITORS,
1911-1967
Figure 2
DEPOSITS IN THE POSTAL SAVINGS SYSTEM, 1911-1967

Deposits in
Billions of Dollars

1911 1920 1930 1940 1950 1960 1967

Figure 3
increased to 8,261 in 1951, but declined rapidly thereafter. In 1955 there were 7,750 depository offices, 5,923 in 1960, and 3,130 in 1965.\(^8\)

Very few changes were made in the system after 1947. In 1948 the Post Office Department was reorganized, eliminating the designations First, Second, Third and Fourth Assistant Postmasters General. Instead these functionaries were called Assistant Postmaster General for the function they performed. The Postal Savings Division was renamed the Postal Savings Bureau and placed under the Assistant Postmaster General for Finance.\(^9\)

In 1964 that officer's title was changed to Assistant Postmaster General for Finance and Administration.\(^10\)

As noted above, the function of savings bond and stamp sales was removed from the Postal Savings Bureau and placed in a new bureau established for that purpose in 1952.

In accordance with a recommendation of the Comptroller General, a new type of savings certificate was designed and placed in service on September 1, 1954. The new form was a punched card which allowed mechanical

\(^8\)Postmaster General, Annual Reports, 1947-1965, passim.


handling of deposit, withdrawal and verification transactions. In addition to the savings in man hours, the printing costs involved with the new certificate were reduced $150,000 annually.\textsuperscript{11}

As deposits began to decline, it became more readily apparent that the system had outlived its usefulness. The first recommendation for discontinuance came in 1952 from a study of government agencies conducted by the Comptroller General in connection with the Commission on the Organization of the Executive (the Hoover Commission).

By and large the main purpose and justification for the Postal Savings System are no longer applicable. Since the passage of the enabling legislation in 1910, the banking structure has been expanded and more numerous savings facilities are now offered to small depositors by commercial and savings banks and financial institutions of the savings and loan association type. As the result of the formation of the Federal Deposit Insurance Corporation and the Federal Savings and Loan Insurance Corporation, the guaranty and security of savings deposits sought by depositors but previously not obtainable except in postal savings are now afforded nearly all savings deposits up to $10,000.

It would appear that the Congress should give consideration to the question as to whether under present conditions there is a need for a Postal Savings System.\textsuperscript{12}


\textsuperscript{12} Ibid., p. 2.
In response to this recommendation, the first bill to abolish the postal savings system (S. 3312) was introduced in Congress on June 10, 1952, by Senator Wallace F. Bennett (R-Utah). Bills to end the system were introduced in each subsequent session of Congress until 1966, when the postal savings system was abolished.

Other recommendations to abolish the system followed close on the heels of the Comptroller General's. In 1955, the Commission on the Reorganization of the Executive Branch (the Second Hoover Commission) concurred in the lack of need for postal savings. Both the American Bankers' Association and the United States Savings and Loan League supported proposals to abolish the system.

Postmasters General were hesitant to recommend ending the system. Arthur E. Summerfield, President Eisenhower's Postmaster General, made a fleeting attempt to revive the system, and in his Annual Report for 1957 recommended raising the deposit limit. John A. Gronouski

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and Laurence F. O'Brien, Postmasters General in the Johnson administration, reversed the stand of earlier Postmasters General and supported legislation to abolish the system. Projections for 1966 indicated that due to the declining deposits, the postal savings system would begin to operate at a loss for the first time since 1914. In response to President Johnson's efforts to eliminate useless departments of government and cut government expenses, members of the Post Office Department were sent to Congress to testify for legislation to abolish the system.

When the support of the Post Office Department was removed, legislation to end postal savings moved quickly through Congress. Representative Thaddeus J. Dulski (D-N.Y.), Chairman of the Subcommittee on Postal Operations of the House Committee on Post Office and Civil Service, introduced legislation in the eighty-ninth Congress to discontinue the system. The bill was modeled on the proposal of Postmaster General Gronouski.

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17 Congressional Record, 89 Cong., 1 Sess. (1965), CXI, Part 12, p. 16349.

18 Senate, Hearings on the Discontinuation of the Postal Savings System, pp. 5-11.

Hearings were held on May 12, 1965 on Dulski's bill (H.R. 8030). Representatives of the Post Office Department, the General Accounting Office, the Treasury Department, the American Bankers' Association, the United States Savings and Loan League, and the National Associated Businessmen appeared to support the bill. The only opposition came from representatives of the two unions for postal employees, the United Federation of Postal Clerks, AFL-CIO, and the National Postal Union.

The postal union representatives argued that the system should not be abolished for several reasons: postal savings provided a profit for the Post Office Department; many citizens still utilized the system; the government could borrow money more cheaply through the system than by any other means; and employees of the postal savings system might be adversely affected. The latter reason provided the most motivation for the union representatives' opposition:

We constantly hear from representatives of the Post Office Department that the changes they recommend will not adversely affect our employees, and that no employee would lose his job. We do not question their sincerity in this regard, but what about the people working in the Postal Savings System? Some of these people with seniority who have given dependable, loyal service, many in higher levels, will be subject to reduction to lower

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20Ibid., pp. 3-16, 20.
levels if the service is eliminated. They would be giving up positions they have earned over the years and in which they have provided valuable service to the public. We hope all this will be taken into consideration.21

The Post Office Department has testified before this subcommittee that only 175 postal clerks are engaged full time on postal savings service. Even if the Department's estimate is accepted, it refers to only those postal clerks engaged full time on postal savings. However, in the overwhelming majority of post offices, postal savings is combined with other duties, as for example money orders, in order to constitute a full time preferred assignment. Postal savings windows are regarded as preferred assignments, and are generally filled only by clerks with top seniority who bid for the preferential tours and work connected with handling postal savings. Elimination could result in hundreds of window clerks with many years of service being returned to floor duties with all the hardships that would be involved in terms of disruption of tours and scheme study, just as if they were new employees.22

The bill was favorably reported out of committee and passed the House by a voice vote on July 12, 1965.23

The First Session of the 89th Congress adjourned before the Senate took action. Early in the Second Session, on January 27 and February 3, 1966, the Senate Committee on Post Office and Civil Service held hearings on H.R. 8030. The same witnesses appeared and gave

21Ibid., p. 16.
22Ibid., p. 20.
23Congressional Record, 89 Cong., 1 Sess. (1965), CXI, Part 12, p. 16349.
substantially the same testimony at the Senate hearing as they had at the House hearing. The bill was favorably reported out of committee and passed by voice vote in the Senate on March 14, 1966. President Johnson signed the bill into law on March 28, 1966.

H.R. 8030 provided that the postal savings system would close on the thirtieth day following enactment (April 27, 1966). Interest on existing accounts ceased to accrue as of the anniversary date of the certificate in the year following the closing date of the system. During that year the Postmaster General was to liquidate as many deposits as possible. The Treasury Department was to purchase all outstanding bonds of the system, and was to assume responsibility for all unpaid deposits after the closing date. The Secretary of the Treasury was to establish a fund out of the unclaimed deposit moneys with which to repay any legitimate claims that might occur in the future. This was to be a perpetual fund and there was no time limitation on when claims had to be filed.

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26 Ibid., p. 8030.
27 "An Act to provide for the discontinuance of the Postal Savings System, and for other purposes," 1966--Public Law 89-377, United States Statutes at Large, LXXX, Part 1, pp. 92-93.
Between April 1966 and April 1967, accounts were terminated in 195,776 cases, but on the established closing date of the system, the majority of the accounts open in 1966 had not been liquidated. 607,354 depositors still retained accounts with a total balance of $52,949,829. On July 1, 1967, the first transfer of funds ($50,000,000) was made to the Treasury Department in accordance with the law. But because there remained so many outstanding accounts, a special agreement was reached between the Post Office Department and the Treasury Department to allow postmasters to continue servicing accounts for an additional year. This service was limited to aiding patrons in closing their accounts.28

On July 1, 1968, all postal savings accounts reverted to the Treasury Department for disposition. The account books were kept active for two more years, completing a four year closing period. On July 1, 1970, the Treasury Department inactivated the records and the postal savings system ceased to exist. It had been expected that most of the accounts would have been closed by that date, but this did not prove to be the case. When the Treasury Department closed the system, nearly twelve million dollars remained in unclaimed

deposits and accrued interest on that money. Most of this money was presumed to belong to persons who had died without heirs, as there had been no activity in the majority of unclaimed accounts for over twenty years. The Treasury Department felt this money was far in excess of the needs for the perpetual repayment fund, and recommended that it be disposed of in accordance with the law.  

By common law, the estate of persons dying without heirs and without a will passes by escheat to the various states. Several states applied to the Treasury Department for the unclaimed deposits from their jurisdictions, but a number of problems developed which made this impractical. The common law had been codified differently in each state, giving rise to conflicting laws of escheat. There were disputes over how much money was coming to each state. The most important problem concerned the perpetual fund in the Treasury Department. If all the states received the unclaimed deposits within their jurisdictions, there would be no money left for the fund. Accordingly, the Treasury Department recommended legislation to Congress which would allow the states to receive a pro rata share of the unclaimed deposits.  

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Representative Thadeus J. Dulski introduced a bill (H.R. 135) in the first session of the ninety-second Congress based on the Treasury Department recommendations. Over a four year period, the $10,765,100,68 in unclaimed deposits as of February 28, 1971 were to be distributed among the states in proportion to the amount the Secretary of the Treasury deemed necessary to retain in the perpetual fund. Hearing on this bill were held in the House on March 24, 1971.  As of this writing, no action has been taken by Congress on H.R. 135.

When the postal savings system officially ended on June 30, 1970, very little notice was given to the institution which had been in existence in America for nearly sixty years. Time magazine was one of the few to note the event. Under a reproduction of a 1942 war savings stamp ran this obituary:

There was a time when they were as ubiquitous as victory gardens, rationing coupons, or the vats of bacon grease that mothers used to collect as part of the war effort. In World War II, nearly every schoolchild saved his nickels and dimes for Government Defense Savings Stamps to paste in a book toward the day when he could purchase a $25 war bond. In the middle of the war, the nation raised as much as $540 million a year from the stamp program.

But for several years, the volume of stamp sales—$18 million in 1969—has barely covered

31 Ibid., pp. 2-6.
the administrative expense. Many Americans under 30 hardly knew that such stamps existed. Last week the Treasury Department discontinued them.32

The *Time* article was a mass of misinformation, a poor tribute to the postal savings system. War savings stamps were discontinued in 1946, not 1970. It was the Post Office which was phasing out its system, not the Treasury. Savings stamps are still on sale in local post offices. The writer's confusion is understandable, since the savings stamps grew out of the postal savings system. The errors in the article simply serve to point out the extent to which the postal savings system had outlived its usefulness.

Yet the postal savings system had served several useful purposes during the time of its existence. It had provided a depository for many who might otherwise not have used banking facilities: immigrants; people in rural areas remote from banks; people whose working hours kept them from patronizing private banks; and soldiers overseas. These deposits had returned to circulation money which might otherwise have been hoarded, and in so doing strengthened the nation's economy. The system had aided local banks on several occasions by providing the funds to keep the banks solvent during runs. Deposits

---

in postal savings aided in financing two world wars and government deficit spending during the depression. As an added bonus, the system operated at a profit to the government, and this profit aided in reducing the deficits in the Post Office Department. During the years of its operation, postal savings provided the Post Office with a total of 239.5 million dollars by this means. There is no way to estimate how many people the postal savings system taught thrift and habits of saving.

The postal savings system more than fulfilled the expectations of those who had promoted it in 1910. In addition to all the advantages mentioned above, passage of the postal savings bill forestalled the adoption of a deposit guarantee plan for twenty-three years. When the Federal Deposit Insurance Corporation was established in 1933, the days of the postal savings system were numbered. If deposit insurance had been adopted in 1910, there would not have been any great need for the postal savings system. It is probable that deposit insurance would have done more to protect savings depositors during the depression than postal savings was able to do.

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33Congressional Record, 89 Cong., 1 Sess. (1965), CXI, Part 12, p. 16351.
Appendix A

Postal Savings Bills Introduced in Congress

### Recapitulation

<table>
<thead>
<tr>
<th>Congress</th>
<th>Proposals Introduced</th>
<th>Party of Bill’s Sponsor</th>
</tr>
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<td>61st</td>
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<td>Totals</td>
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Table adapted from Postal Savings Depositories, pp. 63-66, and Congressional Record, VII-XLV (1873-1910), passim.
<table>
<thead>
<tr>
<th>Bill Number</th>
<th>Introduced by (Party-State)</th>
<th>Title of the Bill</th>
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<tbody>
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<td>H.R. 797</td>
<td>Horace Maynard (R-Tenn)</td>
<td>To establish and maintain a National savings depository as a branch of the Post-Office Department</td>
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<tr>
<td>H.R. 548</td>
<td>Thomas F. Tipton (R-Ill)</td>
<td>To establish and maintain a National savings depository as a branch of the Post-Office Department</td>
</tr>
<tr>
<td>S. 917</td>
<td>John B. Gordon (D-Ga)</td>
<td>To promote the deposit of savings and the refunding of the national debt</td>
</tr>
<tr>
<td>H.R. 3848</td>
<td>William M. Robbins (D-N.C.)</td>
<td>To promote the refunding of the national debt and the loan of the savings to the United States for that purpose</td>
</tr>
<tr>
<td>H.R. 3989</td>
<td>Alfred M. Waddell (D-N.C.)</td>
<td>To establish a postal savings depository as a branch of the Post-Office Department and to aid in refunding the interest bearing indebtedness of the United States</td>
</tr>
<tr>
<td>H.R. 4395</td>
<td>William A. Phillips (R-Kan)</td>
<td>To provide for the deposit of savings in a popular loan and to provide for funding the national debt in home bonds convertible into currency</td>
</tr>
<tr>
<td>Bill Number</td>
<td>Introduced by</td>
<td>Title of the Bill</td>
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<td><strong>47th Congress (1881-1883)</strong></td>
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<tr>
<td>H.R. 850</td>
<td>Hernando M. Money (D-Miss)</td>
<td>To establish and maintain a postal savings depository as a branch of the Post-Office Department</td>
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<td>H.R. 4198</td>
<td>Edward S. Lacey (R-Mich)</td>
<td>To establish a postal savings depository as a branch of the Post-Office Department</td>
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<td><strong>48th Congress (1883-1885)</strong></td>
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<tr>
<td>H.R. 812</td>
<td>Edward S. Lacey (R-Mich)</td>
<td>To establish a postal savings depository as a branch of the Post-Office Department</td>
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<tr>
<td>H.R. 897</td>
<td>John J. O'Neill (D-Mo)</td>
<td>To establish a postal savings depository as a branch of the Post-Office Department</td>
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<tr>
<td><strong>49th Congress (1885-1887)</strong></td>
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<tr>
<td>S. 1622</td>
<td>Warner Miller (R-N.Y.)</td>
<td>To establish a postal savings depository as a branch of the Post-Office Department</td>
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<tr>
<td>H.R. 6746</td>
<td>Louis E. McComas (R-Md)</td>
<td>To establish post-office savings banks as a branch of the Post-Office Department</td>
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<tr>
<td><strong>52d Congress (1891-1893)</strong></td>
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<tr>
<td>S. 192</td>
<td>Charles Fredrick Manderson (R-Neb)</td>
<td>To establish postal savings banks and to encourage small savings</td>
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<tr>
<td>H.R. 340</td>
<td>Bellamy Storer (R-Ohio)</td>
<td>To establish postal savings banks and encourage small savings</td>
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<tr>
<td>S. 1828</td>
<td>John H. Mitchell (R-Ore)</td>
<td>To establish postal savings depositories and subdepositories, and for other purposes</td>
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<tr>
<td>H.R. 6123</td>
<td>Bellamy Storer (R-Ohio)</td>
<td>To establish post-office savings depositories, and for other purposes</td>
</tr>
<tr>
<td>S. 2720</td>
<td>Philetus Sawyer (R-Wis)</td>
<td>To encourage postal savings, especially in districts remote from money depositories, to invest the same, and to divide earnings among depositors</td>
</tr>
<tr>
<td>S. 107</td>
<td>John H. Mitchell (R-Ore)</td>
<td>To establish postal savings depositories and subdepositories, and for other purposes</td>
</tr>
<tr>
<td>S. 441</td>
<td>James H. Kyle (Ind-S.D.)</td>
<td>To establish postal savings banks and to encourage the saving of money in small amounts</td>
</tr>
<tr>
<td>S. 483</td>
<td>Charles Fredrick Manderson (R-Neb)</td>
<td>To establish postal savings banks and to encourage small savings</td>
</tr>
<tr>
<td>H.R. 111</td>
<td>David H. Mercer (R-Neb)</td>
<td>To establish postal savings banks and to encourage small savings</td>
</tr>
<tr>
<td>H.R. 2800</td>
<td>Charles Curtis (R-Kan)</td>
<td>To establish postal savings banks and for other purposes</td>
</tr>
<tr>
<td>H.R. 3138</td>
<td>Bellamy Storer (R-Ohio)</td>
<td>To establish post-office savings banks and for other purposes</td>
</tr>
<tr>
<td>H.R. 4603</td>
<td>William W. Bowers (R-Calif)</td>
<td>To establish a postal savings bank department</td>
</tr>
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<td>Bill Number</td>
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<td>Title of the Bill</td>
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<tr>
<td>H.R. 4736</td>
<td>William W. Bowers (R-Calif)</td>
<td>To establish a postal savings bank department</td>
</tr>
<tr>
<td>S. 2071</td>
<td>David Turpie (D-Ind)</td>
<td>To establish postal savings depositories and subdepositories, and for other purposes</td>
</tr>
<tr>
<td>H.R. 7328</td>
<td>John C. Houk (R-Tenn)</td>
<td>To establish postal savings depositories and subdepositories, and for other purposes</td>
</tr>
<tr>
<td>H.R. 8274</td>
<td>Richard Bartholdt (R-Mo)</td>
<td>To establish postal savings depositories and subdepositories, and for other purposes</td>
</tr>
</tbody>
</table>

54th Congress (1895-1897)

<p>| S. 41       | John H. Mitchell (R-Ore)   | To establish postal savings depositories and subdepositories, and for other purposes |
| S. 273      | William A. Peffer (Pop-Kan) | To establish postal savings depositories and to provide for the conduct and regulation of the same |
| H.R. 182    | William W. Bowers (R-Calif)| To establish a postal savings bank department |
| S. 577      | Mathew S. Quay (R-Pa)      | Providing for postal savings banks |
| H.R. 2284   | David H. Mercer (R-Neb)    | To establish postal savings banks and to encourage small savings |</p>
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<td>David H. Mercer (R-Neb)</td>
<td>To establish postal savings banks and to encourage small savings</td>
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<tr>
<td>S. 684</td>
<td>James H. Kyle (Ind-S.D.)</td>
<td>To establish postal savings banks and to encourage the saving of money in small amounts</td>
</tr>
<tr>
<td>S. 1049</td>
<td>William Eaton Chandler (R-N.H.)</td>
<td>To provide for a popular loan through postal savings notes</td>
</tr>
<tr>
<td>H.R. 3437</td>
<td>Samuel Maxwell (R-Neb)</td>
<td>To create postal savings banks and provide for investing the money</td>
</tr>
<tr>
<td>H.R. 3692</td>
<td>Jeremiah D. Botkin (Pop-Kan)</td>
<td>To establish postal savings departments, to encourage savings among the people, to furnish them a safe and reliable place to deposit their idle funds, and to put into actual use the money of the country</td>
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<tr>
<td>S. 2369</td>
<td>Marion Butler (Pop-N.C.)</td>
<td>To establish postal savings banks for depositing savings at interest, with the security of the Government for repayment thereof, and for other purposes</td>
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<tr>
<td>H.R. 3818</td>
<td>James H. Lewis (D-Wash)</td>
<td>To establish postal savings departments, to encourage savings among the people, to furnish them a safe and reliable place to deposit their idle funds, and to put into actual use the money of the country</td>
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<td>H.R. 4091</td>
<td>William Lorimer (R-Ill)</td>
<td>To establish postal savings depositories and to provide for the conduct and regulation of the same</td>
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<td>H.R. 4095</td>
<td>Richard Bartholdt (R-Mo)</td>
<td>To establish postal savings depositories and to provide for the conduct and regulation of the same</td>
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<td>S. 2611</td>
<td>William E. Mason (R-Ill)</td>
<td>To establish postal savings depositories and to provide for the conduct and regulation of the same</td>
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<tr>
<td>H.R. 5159</td>
<td>Loren Fletcher (R-Minn)</td>
<td>To provide for savings deposits in the Post-Office Department</td>
</tr>
<tr>
<td>H.R. 5442</td>
<td>Robert P. W. Morris (R-Minn)</td>
<td>To establish postal savings depositories and to provide for the conduct and regulation of the same</td>
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<td>H.R. 7392</td>
<td>William A. Jones (D-Va)</td>
<td>To establish postal savings depositories and to provide for the conduct and regulation of the same</td>
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<td>S. 3483</td>
<td>Francis M. Cockrell (D-Mo)</td>
<td>To establish postal savings depositories and to provide for the conduct and regulation of the same</td>
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<td>S. 3501</td>
<td>William E. Mason (R-Ill)</td>
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<td>H.R. 7560</td>
<td>William Lorimer (R-Ill)</td>
<td>To establish postal savings depositories and to provide for the conduct and regulation of the same</td>
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<td>S. 3527</td>
<td>Marion Butler (Pop-N.C.)</td>
<td>To establish postal savings banks for depositing savings at interest, with the security of the Government for repayment thereof, and for other purposes</td>
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<td><strong>56th Congress (1899-1901)</strong></td>
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<td>H.R. 16</td>
<td>David H. Mercer (R-Neb)</td>
<td>To establish postal savings banks and to encourage small savings</td>
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<tr>
<td>H.R. 959</td>
<td>Richard Bartholdt (R-Mo)</td>
<td>To establish postal savings depositories and subdepositories, and for other purposes</td>
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<tr>
<td>S. 53</td>
<td>James H. Kyle (Ind.-S.D.)</td>
<td>To establish postal savings banks and to encourage saving of money in small amounts</td>
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<td>H.R. 3353</td>
<td>William Lorimer (R-Ill)</td>
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<td>S. 2192</td>
<td>William V. Allen (Pop-Neb)</td>
<td>To establish postal savings departments, to encourage savings among the people, to furnish them a safe and reliable place to deposit their idle funds, and to put into actual use the money of the country</td>
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<tr>
<td>H.R. 15707</td>
<td>Philip C. McCulloch, Jr. (D-Ark)</td>
<td>To provide for postal banks, furnish a safe place of deposit, provide for sufficient currency, and equalize and reduce the rate of interest throughout the country</td>
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<tr>
<td>H.R. 15555</td>
<td>Gilbert M. Hitchcock (D-Neb)</td>
<td>To establish postal savings banks for depositing savings at interest, with the security of the Government for repayment thereof, and for other purposes</td>
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<td>H.R. 18361</td>
<td>Gilbert M. Hitchcock (D-Neb)</td>
<td>To establish postal savings banks for depositing savings at interest, with the security of the Government for repayment thereof, and for other purposes</td>
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<td>H.R. 48</td>
<td>Howard M. Snapp (R-Ill)</td>
<td>To establish postal savings depositories and to provide for the conduct and regulation of the same</td>
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57th Congress (1901-1903)

58th Congress (1903-1905)

59th Congress (1905-1907)
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<td>H.R. 148</td>
<td>Clarence D. Van Duzer (D-Nev)</td>
<td>To establish postal savings banks for depositing savings at interest, with the security of the Government for repayment thereof, and for other purposes</td>
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<tr>
<td>H.R. 11035</td>
<td>Frank S. Dickson (R-Ill)</td>
<td>To establish postal savings depositories and to provide for the conduct and regulation of the same</td>
</tr>
<tr>
<td>H.R. 12209</td>
<td>John L. Kennedy (R-Neb)</td>
<td>To provide for the gradual establishment of postal savings depositories and to provide for the conduct and regulation of the same</td>
</tr>
<tr>
<td>H.R. 16135</td>
<td>William S. McNary (D-Mass)</td>
<td>To establish postal savings departments, to encourage savings among the people, to furnish them a safe and reliable place to deposit their idle funds, and to put into actual use the money of the country</td>
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</tbody>
</table>

60th Congress (1907-1909) |

<p>| H.R. 311    | Martin B. Madden (R-Ill)   | To establish postal savings depositories and to provide for the conduct and regulation of the same |
| H.R. 406    | Gilbert M. Hitchcock (D-Neb) | To establish postal savings banks for depositing savings at interest, with the security of the Government for repayment thereof, and for other purposes |</p>
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<th>Title of the Bill</th>
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</thead>
<tbody>
<tr>
<td>S. 1234</td>
<td>Thomas H. Carter (R-Mon)</td>
<td>To establish postal savings banks for depositing savings at interest, with the security of the Government for repayment thereof, and for other purposes</td>
</tr>
<tr>
<td>S. 4853</td>
<td>Elmer J. Burkett (R-Neb)</td>
<td>To establish a bureau of postal savings</td>
</tr>
<tr>
<td>S. 5508</td>
<td>Philander C. Knox (R-Pa)</td>
<td>To establish postal savings depositories and to provide for the conduct and regulation of the same</td>
</tr>
<tr>
<td>S. 6484</td>
<td>Thomas H. Carter (R-Mon)</td>
<td>To establish postal savings banks for depositing savings at interest, with the security of the Government for repayment thereof, and for other purposes</td>
</tr>
<tr>
<td>H.R. 21263</td>
<td>Hiram R. Burton (R-Del)</td>
<td>To establish postal savings banks for depositing savings at interest, with the security of the Government for repayment thereof, and for other purposes</td>
</tr>
<tr>
<td>H.R. 24144</td>
<td>Halvor Steenerson (R-Minn)</td>
<td>To establish postal savings banks for depositing savings at interest, with the security of the Government for repayment thereof, and for other purposes</td>
</tr>
<tr>
<td>Bill Number</td>
<td>Introduced by</td>
<td>(Party-State)</td>
</tr>
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<tr>
<td>H.R. 1476</td>
<td>Martin B. Madden</td>
<td>(R-Ill)</td>
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<td>H.R. 6108</td>
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<td>(R-Ill)</td>
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<tr>
<td>S. 2763</td>
<td>Thomas H. Carter</td>
<td>(R-Mon)</td>
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<tr>
<td>H.R. 12309</td>
<td>Gilbert M. Hitchcock</td>
<td>(D-Neb)</td>
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<td>S. 3323</td>
<td>Elmer J. Burkett</td>
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<td>S. 3380</td>
<td>William E. Borah</td>
<td>(R-Id)</td>
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<td>Bill Number</td>
<td>Introduced by (Party-State)</td>
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<tr>
<td>H.R. 14551</td>
<td>George E. Foss (R-Ill)</td>
<td>To establish postal savings banks for depositing savings at interest, with the security of the Government for repayment thereof, and for other purposes</td>
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<td>H.R. 15799</td>
<td>Gilbert M. Hitchcock (D-Neb)</td>
<td>To establish postal savings banks for depositing savings at interest, with the security of the Government for repayment thereof, and for other purposes</td>
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<td>H.R. 18159</td>
<td>William Sulzer (D-N.Y.)</td>
<td>To establish postal-savings depositories, for the proper investing of the funds, and for other purposes</td>
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<td>S. 5753</td>
<td>William E. Borah (R-Id)</td>
<td>To establish postal savings banks for depositing savings at interest, with the security of the Government for repayment thereof, and for other purposes</td>
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<td>S. 5876</td>
<td>Thomas H. Carter (R-Mon)</td>
<td>To establish postal savings banks for depositing savings at interest, with the security of the Government for repayment thereof, and for other purposes</td>
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<td>H.R. 25295</td>
<td>John J. Gardner (R-N.J.)</td>
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<td>H.R. 25986</td>
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<td>To establish postal savings banks for depositing savings at interest, with the security of the Government for repayment thereof, and for other purposes</td>
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<tr>
<td>H.R. 26587</td>
<td>David E. Finley (D-S.C.)</td>
<td>To establish postal savings depositories for depositing savings at interest, the loan of such funds to the Government, the repayments thereof, and for other purposes</td>
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Appendix B

Votes on the Postal Savings Bill (S. 5876)\(^a\)

Recapitulation

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<td>Total voting against S. 5876</td>
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<td>Total answering &quot;Present&quot;</td>
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<td>Republicans voting for S. 5876</td>
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<td>Republicans voting against S. 5876</td>
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<td>Total bankers, 61 Congress</td>
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<td>13</td>
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<td>Total bankers voting for S. 5876</td>
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<td>Republicans</td>
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<td>Democrats</td>
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<td>Total bankers not voting on S. 5876</td>
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<td>Democrats</td>
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\(^a\) Adapted from Congressional Record, 61 Cong., 2 Sess. (1910), XLV, Part 3, p. 2780 and Part 7, pp. 7766-7768.
Vote in the Senate
(March 5, 1910)

Voted For

Albert J. Beveridge (R-Ind.)
William E. Borah (R-Id.)
Jonathan Bourne, Jr. (R-Ore.)
William O. Bradley (R-Ky.)
Frank B. Brandegee (R-Conn.)
Norris Brown (R-Nebr.)
Morgan G. Bulkeley (R-Conn.)
Elmer J. Burkett (R-Nebr.)
Henry E. Burnham (R-N.H.)*
Julius C. Burrows (R-Mich.)
Theodore E. Burton (R-Ohio)
Thomas H. Carter (R-Mont.)
George E. Chamberlain (D-Ore.)
Moses E. Clapp (R-Minn.)
Clarence D. Clark (R-Wyo.)
W. Murray Crane (R-Mass.)
Coe I. Crawford (R-S.D.)
Shelby M. Cullom (R-Ill.)
Albert B. Cummins (R-Ia.)
Charles Curtis (R-Kan.)
Chauncey M. Depew (R-N.Y.)
Charles W. F. Dick (R-Ohio)
William P. Dillingham (R-Vt.)*
Joseph M. Dixon (R-Mont.)
Jonathan P. Dolliver (R-Ia.)

Henry A. duPont (R-Del.)
Frank P. Flint (R-Calif.)*
William F. Frye (R-Md.)
Jacob H. Gallinger (R-N.H.)
Robert J. Gamble (R-S.D.)
Simon Guggenheim (R-Colo.)
Weldon Heyburn (R-Id.)
Wesley L. Jones (R-Wash.)
John Kean (R-N.J.)*
Robert M. LaFollette (R-Wis.)
Henry Cabot Lodge (R-Mass.)
Porter J. McCumber (R-N.D.)
George S. Nixon (R-Nev.)*
George T. Oliver (R-Pa.)
Carroll S. Page (R-Vt.)*
George C. Perkins (R-Calif.)*
Samuel H. Piles (R-Wash.)
Elihu Root (R-N.Y.)*
Nathan B. Scott (R-W.Va.)*
Reed Smoot (R-Utah)*
Isaac Stephenson (R-Wis.)*
George Sutherland (R-Utah)
William Warmer (R-Mo.)
Francis E. Warren (R-Wyo.)
George P. Wetmore (R-R.I.)

Voted Against

Joseph W. Bailey (D-Tex.)
John H. Bankhead (D-Ala.)
James P. Clarke (D-Ark.)
Jeff Davis (D-Ark.)
Murphy J. Foster (D-La.)
Thomas P. Gore (D-Oklahoma)
Charles Hughes, Jr. (D-Colo.)
Joseph F. Johnston (D-Ala.)*
Samuel D. McEnery (D-La.)
Hernando D. Money (D-Miss.)
Lee S. Overman (D-N.C.)*

Robert L. Owen (D-Okla.)*
Thomas H. Paynter (D-Ky.)*
William E. Purcell (D-N.D.)*
Isador Hayner (D-Md.)*
Benjamin F. Shively (D-Ind.)*
Furnifold M. Simmons (D-N.C.)*
Ellison D. Smith (D-S.C.)*
John W. Smith (D-Md.)*
William J. Stone (D-Mo.)*
James P. Taliaferro (D-Fla.)*

* Primary occupation listed in Biographical Directory of the American Congress as banker.

b. Only 91 votes because A. J. McLaurin of Mississippi died December 22, 1909, and was not replaced until March 15, 1910.
### Vote in the Senate (continued)

#### Not Voting
- John W. Daniel (D-Va.)
- Eugene Hale (R-Me.)
- Francis G. Newlands (D-Nev.)

#### Not Voting: Paired-indicated as voting for
- Nelson Aldrich (R-R.I.)
- Frank O. Briggs (R-N.J.)
- Joseph L. Bristow (R-Kan.)
- Stephen B. Elkins (R-W.Va.)
- Knute Nelson (R-Minn.)
- Boise Penrose (R-Pa.)
- Harry A. Richardson (R-Del.)*
- William Alden Smith (R-Mich.)

#### Not Voting: Paired-indicated as voting against
- Augustus O. Bacon (D-Ga.)
- Alexander S. Clay (D-Ga.)
- Charles A. Culberson (D-Tex.)
- Duncan U. Fletcher (D-Fla.)
- James B. Frazier (D-Tenn.)
- William Lorimer (R-Ill.)*
- Thomas S. Martin (D-Va.)
- Benjamin R. Tillman (D-S.C.)

### Vote in the House of Representatives

#### (June 9, 1910)

#### Voted For
- Wyatt Aiken (D-S.C.)
- DeAlva S. Alexander (R-N.Y.)
- Butler Ames (R-Mass.)
- Timothy T. Ansberry (D-Ohio)
- Daniel R. Anthony (R-Kan.)
- William A. Ashbrook (D-Ohio)*
- Richard W. Austin (R-Tenn.)
- Andrew J. Barchfeld (R-Pa.)
- William O. Barnard (R-Ind.)
- Richard Bartholdt (R-Mo.)*
- William S. Bennet (R-N.Y.)*
- Henry H. Bingham (R-Pa.)
- James F. Burke (R-Pa.)*
- Edwin C. Burleigh (R-Me.)*
- William A. Calderhead (R-Kan.)*
- Phillip P. Campbell (R-Kan.)
- William J. Cary (R-Wis.)*
- James H. Cassidy (R-Ohio)*
- Pleasant T. Chapman (R-Ill.)*
- William W. Cocks (R-N.Y.)*
- Ralph D. Cole (R-Ohio)
- Alan F. Cooper (R-Pa.)*
- Henry A. Cooper (R-Wis.)
- Harry M. Coudrey (R-Mo.)*
- Charles H. Cowles (R-N.C.)*
- James M. Cox (D-Ohio)
- Charles E. Creager (R-Okla.)*
- Charles A. Crow (R-Mo.)*
- Edgar D. Crumpacker (R-Ind.)*
- Frank D. Currier (R-N.H.)*
- John Dalzell (R-Pa.)*
- James H. Davidson (R-Wis.)*
- Charles R. Davis (R-Minn.)*
- Albert F. Dawson (R-Ia.)*
- Edwin Denby (R-Mich.)*
- Gerrit Diekema (R-Mich.)*
- Francis H. Dodds (R-Mich.)*
- Albert Douglas (R-Ohio)*
- William H. Draper (R-N.Y.)*
- Micheal E. Driscoll (R-N.Y.)*
- Cyrus Durey (R-N.Y.)*
- John W. Dwight (R-N.Y.)*
- William R. Ellis (R-Ore.)*
- Politte Elvins (R-Mo.)*
- William F. Englebright (R-Calif.)*
- John J. Esch (R-Wis.)*
- Jacob S. Fassett (R-N.Y.)*
Voted For (continued)

Hamilton Fish (R-N.Y.)
Benjamin K. Focht (R-Pa.)
George E. Foss (R-Ill.)
Eugene N. Foss (D-Mass.)
Martin D. Foster (D-Ill.)
David J. Foster (R-Vt.)
William W. Foulkrod (R-Pa.)
Joseph H. Gaines (R-W. Va.)
Augustus P. Gardner (R-Mass.)
Washington Gardner (R-Mich.)
John J. Gardner (R-N.J.)
Frederick H. Gillett (R-Mass.)
Herman P. Goebel (R-Ohio)
James W. Good (R-Ia.)*
Joseph V. Graff (R-Ill.)*
John G. Grant (R-N.C.)*
William J. Greene (R-Mass.)
William W. Gries (R-Pa.)*
Asle J. Gronna (R-N.D.)*
Frank B. Guernsey (R-Me.)*
Thomas R. Hamer (R-Id.)*
Edward L. Hamilton (R-Mich.)
Winfield S. Hammond (D-Minn.)
Louis B. Hanna (R-N.D.)*
Gilbert N. Haugen (R-Ia.)*
James S. Havens (D-N.Y.)*
Willis C. Hawley (R-Cre.)*
Everis A. Hayes (R-Calif.)*
William H. Heald (R-Del.)*
E. Stevens Henry (R-Conn.)*
Robert L. Henry (R-Tex.)*
Edwin W. Higgins (R-Conn.)*
Ebenezer J. Hill (R-Conn.)*
Edmond H. Hinshaw (R-Nebr.)*
Gilbert M. Hitchcock (R-Nebr.)*
David A. Hollingsworth (R-Ohio)*
Benjamin F. Howell (R-N.J.)*
Joseph Howell (R-Utah)*
L. Paul Howland (R-Ohio)
Elbert H. Hubbard (R-Ia.)*
George F. Huff (R-Pa.)*
William Hughes (D-N.J.)*
William E. Humphrey (R-Wash.)*
James Joyce (R-Ohio)
J. W. Keifer (R-Ohio)*
Nathan E. Kendall (R-Ia.)*
Charles A. Kennedy (R-Ia.)*
James Kennedy (R-Ohio)
Moses P. Kinkaide (R-Nebr.)*
Eugene F. Kinkead (D-N.J.)*
Charles L. Knapp (R-N.Y.)*
Arthur W. Kopp (R-Wis.)*
John Kronmiller (R-Md.)*
Gustav Kustermann (R-Wis.)*
Daniel F. Lafean (R-Pa.)*
Jonathan N. Langham (R-Pa.)*
Charles B. Law (R-N.Y.)*
George F. Lawrence (R-Mass.)*
Irvin L. Lenroot (R-Wis.)*
Charles A. Lindbergh (R-Minn.)*
Nicholas Longworth (R-Ohio)
George A. Loud (R-Mich.)*
Henry C. Loudenslager (R-N.J.)*
Frank O. Lowden (R-Ill.)*
Frederick Lundin (R-Ill.)*
George D. McCreary (R-Pa.)*
William W. McCredie (R-Wash.)*
Bird S. McGuire (R-Okla.)*
Duncan E. McKinlay (R-Calif.)*
William B. McKinley (R-Ill.)*
James McKinney (R-Ill.)*
James McLachlan (R-Calif.)*
James C. McLaughlin (R-Mich.)*
Edmond H. Madison (R-Kan.)*
John A. Maguire (D-Nebr.)*
George H. Malby (R-N.Y.)*
James R. Mann (R-Ill.)*
John A. Martin (D-Colo.)*
Eben W. Martin (R-S.D.)*
James M. Miller (R-Kan.)*
Clarence B. Miller (R-Minn.)*
Charles S. Millington (R-N.Y.)*
Frank W. Mondell (R-Wyo.)*
James Hampton Moore (R-Pa.)*
Charles H. Morgan (R-Mo.)*
Dick T. Morgan (R-Okla.)*
Elmer A. Morse (R-Wis.)*
Ralph W. Moss (D-Ind.)*
William J. Moxley (R-Ill.)*
Victor Murdock (R-Kan.)*
Arthur P. Murphy (R-Mo.)*
James C. Needham (R-Calif.)*
John M. Nelson (R-Wis.)*
Thomas D. Nichols (D-Pa.)*
George W. Norris (R-Nebr.)*
Frank M. Nye (R-Minn.)*
Joseph F. O'Connell (D-Mass.)*
J. VanVechten Olcott (R-N.Y.)*
Voted For (continued)

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<td>Richard Young</td>
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Voted Against

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<td>Joshua Alexander</td>
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<td>Henry A. Barnhart</td>
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<td>Jack Beall</td>
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<td>Joseph W. Byrns</td>
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<td>William A. Dickson</td>
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<tr>
<td>Martin Dies</td>
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<td>John Gill, Jr.</td>
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### Voted Against (continued)

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### Answered "Present"

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<td>John A. M. Adair (D-Ind.)*</td>
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<td>Thomas Gallagher (D-Ill.)*</td>
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<td>Thomas W. Hardwick (D-Ga.)</td>
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<td>Richmond P. Hobson (D-Ala.)</td>
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<td>Julius Kahn (R-Calif.)</td>
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<td>Henry McMorran (R-Mich.)*</td>
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<td>Andrew J. Peters (D-Mass.)</td>
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<td>John H. Rothermel (D-Pa.)</td>
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Amos L. Allen (R-Me.)
Carl C. Anderson (D-Ohio)
John E. Andrus (R-N.Y.)
Charles F. Barclay (R-Pa.)
George A. Bartlett (D-Nev.)
Arthur L. Bates (R-Pa.)
Joseph B. Bennett (R-Ky.)
William P. Borland (D-Mo.)
Henry S. Boutell (R-Ill.)
Walter P. Brownlow (R-Tenn.)
George F. Burgess (D-Tex.)
Charles H. Burke (R-S.D.)
William M. Calder (R-N.Y.)*
James C. Cantrill (D-Ky.)
Adin B. Capron (R-R.I.)
Charles C. Carlin (D-Va.)
Charles D. Carter (D-Okla.)
Joel Cook (R-Pa.)
J. Harry Covington (D-Md.)
William B. Cravens (D-Ark.)
Don C. Edwards (R-Ky.)*
J. Edwin Ellerbe (D-S.C.)*
George W. Fairchild (R-N.Y.)*
Otto G. Foelker (R-N.Y.)
Joseph W. Fordney (R-Mich.)*
Charles V. Fornes (D-N.Y.)*
Charles N. Fowler (R-N.J.)*
Charles E. Fuller (R-Ill.)*
Alfred B. Garner (R-Pa.)
Samuel L. Gilmore (D-La.)
Carter Glass (D-Va.)
Hannibal L. Godwin (D-N.C.)
Henry M. Goldfogle (D-N.Y.)
George W. Gordon (D-Tenn.)
Joseph A. Goulden (D-N.Y.)
William H. Graham (R-Pa.)*
Alexander W. Gregg (D-Tex.)
James A. Hammill (D-N.J.)
William P. Hubbard (R-W.Va.)
James A. Hughes (R-W.Va.)*
John A. T. Hull (R-Ia.)
Benjamin G. Humphreys (D-Miss.)

Adna R. Johnson (R-Ohio)
Joseph R. Knowland (R-Calif.)*
John W. Langley (R-Ky.)*
James P. Latta (D-Nebr.)*
Gordon Lee (D-Ga.)*
George S. Legare (D-S.C.)
George H. Lindsay (D-N.Y.)
Samuel W. McCall (R-Mass.)*
Martin B. Madden (R-Ill.)*
Harry L. Maynard (D-Va.)
Reuben O. Moon (R-Pa.)*
John M. Moore (D-Tex.)*
John M. Morehead (R-N.C.)*
Sydney E. Mudd (R-Md.)
Henry W. Palmer (R-Pa.)*
George A. Pearre (R-Md.)*
Edward W. Pou (D-N.C.)*
Arsene Pujo (D-La.)*
Charles C. Reid (D-Ark.)*
Joseph L. Rhinock (D-Ky.)
Daniel J. Riordan (D-N.Y.)*
Joseph T. Robinson (D-Ark.)*
Gordon J. Russell (D-Tex.)*
Edward W. Saunders (D-Va.)*
Charles F. Scott (R-Kan.)*
J Swager Sherley (D-Ky.)*
James L. Slayden (D-Tex.)*
C. Bascom Slemp (R-Va.)*
Walter I. Smith (R-Ia.)*
George N. Southwick (R-N.Y.)*
Augustus O. Stanley (D-Ky.)*
John Q. Tilson (R-Conn.)*
Charles E. Townsend (R-Mich.)*
Robert M. Wallace (D-Ark.)*
Charles G. Washburn (R-Mass.)*
Charles H. Weiss (D-Wis.)*
William H. Wiley (R-N.J.)*
William Willett Jr. (D-N.Y.)*
Harry C. Woodyard (R-W.Va.)
Appendix C

Laws Relating to the Postal Savings System

"An Act to establish Postal Savings Depositories for depositing savings at interest with the security of the government for repayment thereof, and for other purposes."

[Ch. 214, United States Statutes at Large, XXXV, Part I.]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there be, and is hereby, created a board of trustees for the control, supervision, and administration of the postal savings depository offices designated and established under the provisions of this act, and of the funds received as deposits at such postal savings depository offices by virtue thereof, Said board shall consist of the Postmaster General, the Secretary of the Treasury, and the Attorney General, severally, acting ex officio, and shall have power to make all necessary and proper regulations for the receipt, transmittal, custody, deposit, investment, and repayment of the funds deposited at postal savings depository offices.

The board of trustees shall submit a report to Congress at the beginning of each regular session showing by States and Territories (for the preceding fiscal year) the number and names of post offices receiving deposits, the aggregate amount of deposits made therein, the aggregate amount of withdrawals therefrom, the number of depositors in each, the total amount standing to the credit of all depositors at the conclusion of the year, the amount of such deposits at interest, the amount of interest received thereon, the amount of interest paid thereon, the amount of deposits surrendered by depositors for bonds issued by authority of this act, and the number and amount of unclaimed deposits. Also the amount invested in Government securities by the trustees, the amount of extra expense of the Post Office Department and the postal service incident to the operation of the postal savings depository system, the amount of work done for the savings depository system by the Post Office Department and postal service in the transportation of free mail, and all other facts which it may deem pertinent and proper to present.

Sec. 2. That the Postmaster General is hereby directed to prepare and issue special stamps of the necessary
denominations for use, in lieu of penalty or franked envelopes, in the transmittal of free mail resulting from the administration of this act.

Sec. 3. That said board of trustees is hereby authorized and empowered to designate such post offices as it may select to be postal savings depository offices, and each and every post office so designated by order of said board is hereby declared to be a postal savings depository office within the meaning of this act and to be authorized and required to receive deposits of funds from the public and to account for and dispose of the same, according to the provisions of this act and the regulations made in pursuance thereof. Each postal savings depository office shall be kept open for the transaction of business during such hours as the Postmaster General, with the approval of the board of trustees, shall direct.

Sec. 4. That accounts may be opened and deposits made in any postal savings depository established under this act by any person of the age of ten years or over, in his or her own name, and by a married woman in her own name and free from any control or interference by her husband; but no person shall at the same time have more than one postal savings account in his or her own right.

Sec. 5. That the postmaster at a postal savings depository office shall, upon the making of an application to open an account under this act and the submission of an initial deposit, deliver to the depositor a pass book free of cost, upon which shall be written the name and signature or mark of the depositor and such other memoranda as may be necessary for purposes of identification, in which pass book entries of all deposits and withdrawals shall be made in both figures and writing. Provided, That the Postmaster General may, with the approval of the board of trustees, adopt some other device or devices in lieu of a pass book as a means of making and preserving evidence of deposits and withdrawals.

Sec. 6. That at least one dollar, or a larger amount in multiples thereof, must be deposited before an account is opened with the person depositing the same, and one dollar, or multiples thereof, may be deposited after such account has been opened, but no one shall be permitted to deposit more than one hundred dollars in any one calendar month: Provided, That in order that smaller amounts may be accumulated for deposit any person may purchase for ten cents from any depository office a postal savings card to which may be attached specially prepared adhesive stamps, to be known as "postal savings stamps," and when the stamps so attached amount to one dollar, or a larger sum in multiples thereof, including the ten-cent postal savings card, the same may be presented as a deposit for opening an account, and additions may be made to any account by means of such card and stamps in amounts of one dollar, or
multiples thereof, and when a card and stamps thereto attached are accepted as a deposit the postmaster shall immediately cancel the same. It is hereby made the duty of the Postmaster General to prepare such postal savings cards and postal savings stamps of denominations of ten cents, and to keep them on sale at every postal savings depository office, and to prescribe all necessary rules and regulations for the issue, sale, and cancellation thereof.

Sec. 7. That interest at the rate of two per centum per annum shall be allowed and entered to the credit of each depositor once in each year, the same to be computed on such basis and under such rules and regulations as the board of trustees may prescribe; but interest shall not be computed or allowed on fractions of a dollar: Provided, That the balance to the credit of any one person shall never be allowed to exceed five hundred dollars, exclusive of accumulated interest.

Sec. 8. That any depositor may withdraw the whole or any part of the funds deposited to his or her credit, with the accrued interest, upon demand and under such regulations as the board of trustees may prescribe. Withdrawals shall be paid from the deposits in the State or Territory, so far as the postal funds on deposit in such State or Territory may be sufficient for the purpose, and, so far as practicable, from the deposits in the community in which the deposit was made. No bank in which postal savings funds shall be deposited shall receive any exchange or other fees or compensation on account of the cashing or collection of any checks or the performance of any other service in connection with the postal saving depository system.

Sec. 9. That postal savings funds received under the provisions of this act shall be deposited in solvent banks, whether organized under National or State laws, being subject to National or State supervision and examination, and the sums deposited shall bear interest at the rate of not less than two and one-fourth per centum per annum, which rates shall be uniform throughout the United States and Territories thereof; but five per centum of such funds shall be withdrawn by the board of trustees and kept with the Treasurer of the United States, who shall be treasurer of the board of trustees, in lawful money as a reserve. The board of trustees shall take from such banks such security in public bonds or other securities, supported by the taxing power, as the board may prescribe, approve, and deem sufficient and necessary to insure the safety and prompt payment of such deposits on demand. The funds received at the postal savings depository offices in each city, town, village, and other locality shall be deposited in banks located therein (substantially in proportion to the capital and surplus of each such bank) willing to receive such deposits under the terms of this act and the
regulations made by authority thereof, but the amount deposited in any one bank shall at no time exceed the amount of the paid-in capital and one-half the surplus of such bank. If no such bank exist in any city, town, village, or locality, or if none where such deposits are made will receive such deposits on the terms prescribed, then such funds shall be deposited under the terms of this act in the bank most convenient to such locality. If no such bank in any State or Territory is willing to receive such deposits on the terms prescribed, then the same shall be deposited with the treasurer of the board of trustees, and shall be counted in making up the reserve of five per centum. Such funds may be withdrawn from the treasurer of said board of trustees and all other postal savings funds, or any part of such funds, may be at any time withdrawn from banks and saving depository offices for the repayment of postal savings depositors when required for that purpose. Not exceeding thirty per centum of the amount of such funds may at any time be withdrawn by the trustees for investment in bonds or other securities of the United States, it being the intent of this act that the residue of such funds, amounting to sixty-five per centum thereof, shall remain on deposit in the banks in each State and Territory willing to receive the same under the terms of this act, and shall be a working balance and also a fund which may be withdrawn for investment in bonds or other securities of the United States, but only by direction of the President, and only when, in his judgment, the general welfare and the interests of the United States so require. Interest and profit accruing from the deposits or investment of postal savings funds shall be applied to the payment of interest due to postal savings depositors as hereinbefore provided, and the excess thereof, if any, shall be covered into the Treasury of the United States as a part of the postal revenues: Provided, That postal savings funds in the treasury of said board shall be subject to disposition as provided in this act, and not otherwise: And provided further, That the board of trustees may at any time dispose of bonds held as postal savings investments and use the proceeds to meet withdrawals of deposits by depositors. For the purposes of this act, the word "Territory," as used herein, shall be held to include the District of Columbia, the District of Alaska, and Porto Rico, and the word "bank" shall be held to include savings banks and trust companies doing a banking business.

Sec. 10. That any depositor in a postal savings depository may surrender his deposit, or any part thereof, in sums of twenty dollars, forty dollars, sixty dollars, eighty dollars, one hundred dollars, and multiples of one hundred dollars and five hundred dollars, and receive in lieu of such surrendered deposits, under such regulations as may be established by the board of trustees, the amount
of the surrendered deposits in United States coupon or registered bonds of the denominations of twenty dollars, forty dollars, sixty dollars, eighty dollars, one hundred dollars and five hundred dollars, which bonds shall bear interest at the rate of two and one-half per centum per annum, payable semi-annually, and be redeemable at the pleasure of the United States after one year from the date of their issue and payable twenty years from such date, and both principal and interest shall be payable in United States gold coin of the present standard of value: Provided, That the bonds herein authorized shall be issued only (first) when there are outstanding bonds of the United States subject to call, in which case the proceeds of the bonds shall be applied to the redemption at par of outstanding bonds of the United States subject to call, and (second) at times when under authority of law other than that contained in this act the Government desires to issue bonds for the purpose of replenishing the Treasury, in which case the issue of bonds under authority of this act shall be in lieu of the issue of a like amount of bonds issuable under authority of law other than that contained in this act: Provided further, That the bonds authorized by this act shall be issued by the Secretary of the Treasury under such regulations as he may prescribe: And provided further, That the bonds herein authorized shall be exempt from all taxes or duties of the United States as well as from taxation in any form by or under State, municipal, or local authority: And provided further, That no bonds authorized by this act shall be receivable by the Treasurer of the United States as security for the issue of circulating notes by national banking associations.

Sec. 11. That whenever the trustees of the postal savings fund have in their possession funds available for investment in United States bonds they may notify the Secretary of the Treasury of the amount of such funds in their hands which they desire to invest in bonds of the United States subject to call, whereupon, if there are United States bonds subject to call, the Secretary of the Treasury shall call for redemption an amount of such bonds equal to the amount of the funds in the hands of the trustees which the trustees desire to thus invest, and the bonds so called shall be redeemed at par with accrued interest at the Treasury of the United States on and after three months from the date of such call, and interest on the said bonds shall thereupon cease: Provided, That the said bonds when redeemed shall be reissued at par to the trustees without change in their terms as to rate of interest and date of maturity: And provided further, That the bonds so reissued may, in the discretion of the Secretary of the Treasury, be called for redemption from the trustees in like manner as they were originally called for redemption from their former owners whenever there are funds in the Treasury of the United States available for
such redemption.

Sec. 12. That postal savings depository funds shall be kept separate from other funds by postmasters and other employees of the postal service, who shall be held to the same accountability under their bonds for such funds as for public moneys; and no person connected with the Post Office Department shall disclose to any person other than the depositor the amount of any deposits, unless directed so to do by the Postmaster General. All statutes relating to the safekeeping of and proper accounting for postal receipts are made applicable to postal postmasters, assistant postmasters, and clerks at postal savings depositories to give any additional bond he may deem necessary.

Sec. 13. That additional compensation shall be allowed postmasters at post offices of the fourth class for the transaction of postal savings depository business. Such compensation shall not exceed one-fourth of one per centum on the average sum upon which interest is paid each calendar year on receipts at such post office, and shall be paid from the postal revenues; but postmasters, assistant postmasters, clerks, or other employees at post offices of the presidential grade shall not receive any additional compensation for such service.

Sec. 14. That the sum of one hundred thousand dollars is hereby appropriated, out of any money in the Treasury not otherwise appropriated, or so much thereof as may be necessary, to enable the Postmaster General and the board of trustees to establish postal savings depositories in accordance with the provisions of this act, including the reimbursement of the Secretary of the Treasury for expenses incident to the preparation, issue, and registration of the bonds authorized in this act; and the Postmaster General is authorized to require postmasters and other postal officers and employees to transact, in connection with their other duties, such postal savings depository business as may be necessary; and he is also authorized to make, and with the approval of the board of trustees to promulgate, and from time to time to modify or revoke, subject to the approval of said board such rules and regulations not in conflict with law as he may deem necessary to carry the provisions of this act into effect.

Sec. 15. That all the safeguards provided by law for the protection of public moneys, and all statutes relating to the embezzlement, conversion, improper handling, retention, use, or disposal of postal and money-order funds and the punishments provided for such offenses are hereby extended and made applicable to postal savings depository funds, and all statutes relating to false returns of postal and money-order business, the forgery, counterfeiting, alteration, improper use or handling of postal and money-order blanks, forms, vouchers, accounts, and records, and the dies, plates, and engravings therefor,
with the penalties provided in such statutes, are hereby extended and made applicable to postal savings depository business, and the forgery, counterfeiting, alteration, improper use or handling of postal savings depository blanks, forms, vouchers, accounts, and records, and the dies, plates, and engravings therefor.

Sec. 16. That the faith of the United States is solemnly pledged to the payment of the deposits made in postal savings depository offices, with accrued interest thereon as herein provided.

Sec. 17. That the final judgment, order, or decree of any court of competent jurisdiction adjudicating any right or interest in the credit of any sums deposited by any person with a postal savings depository if the same shall not have been appealed from and the time for appeal has expired shall, upon submission to the Postmaster General of a copy of the same, duly authenticated in the manner provided by the laws of the United States for the authentication of the records and judicial proceedings of the courts of any State or Territory or of any possession subject to the jurisdiction of the United States, when the same are provided or admitted within any other court within the United States, be accepted and pursued by the board of trustees as conclusive of the title, right, interest, or possession so adjudicated, and any payment of said decree shall operate as a full and complete discharge of the United States from the claim or demand of any person or persons to the same.

Approved, June 25, 1910.

"An Act making appropriations for the service of the Post Office Department for the fiscal year ending June Thirtieth, Nineteen Hundred and Thirteen, and for other purposes."

[Ch. 241, United States Statutes at Large, XXXVI, Part I.]

Sec. 10. That all expenditures in the Postal Savings System shall be audited by the Auditor for the Post Office Department: And provided further, That the Postmaster General shall select and designate the post offices which are to be postal savings depository offices, and shall appoint and fix the compensation of such superintendents, inspectors, and other employees as may be necessary in conducting, supervising, and directing the business of such offices, including the employees of a central office at Washington, District of Columbia, and shall prescribe the hours during which postal savings depository offices shall remain open. He shall also from time to time make rules and regulations with respect to the deposits in and with-
drawals of moneys from postal savings depositories and
the issue of pass books or such other devices as he may
adopt as evidence of such deposits or withdrawals. The
provisions of the act approved June twenty-fifth, nineteen
hundred and ten, are hereby modified accordingly.

Approved, August 24, 1912.

"An Act to amend the act approved May Ninth, Eighteen
Hundred and Eighty-Eight, as amended by the act of June
Eleventh, Eighteen Hundred and Ninety-Six."

[Ch. 23, United States Statutes at Large, XXXVIII, Part 1.]

Be it enacted by the Senate and House of Representatives
of the United States of America in Congress assembled, That
the act authorizing the Postmaster General to adjust certain
claims of postmasters for loss by burglary, fire, or other
unavoidable casualty, approved May ninth, eighteen hundred
and eighty-eight, as amended by the act of June eleventh,
eighteen hundred and ninety-six, be, and the same is
hereby, amended so as to read as follows:

"That the Postmaster General be, and he is hereby,
authorized to investigate all claims of postmasters for the
loss of money-order funds, postal funds, postal savings
funds, postage stamps, stamped envelopes, newspaper wrap­
pers, postal cards, postal saving cards, postal savings
stamps, and postal savings certificates belonging to the
United States in the hands of such postmasters, and for
the loss of key-deposit funds, funds deposited to cover
postage on mailings, and funds received as deposits to
cover orders for stamped envelopes, in the hands of such
postmasters, resulting from burglary, fire, or other un­
avoidable casualty, and if he shall determine that such
loss resulted from no fault or negligence on the part of
such postmasters, to pay to such postmasters or credit them
with the amount so ascertained to have been lost or
destroyed, and also to credit postmasters with the amount
of any remittance of money-order funds, postal funds, or
postal savings funds made by them in compliance with the
instructions of the Postmaster General, which shall have
been lost or stolen while in transit by mail from the office
of the remitting postmaster to the office designated as his
depository, or after arrival at such depository office and
before the postmaster at such depository office has become
responsible therefor: Provided, That no claim exceeding
the sum of $10,000 shall be paid or credited until after
the facts shall have been ascertained by the Postmaster
General and reported to Congress, together with his
recommendation thereon, and an appropriation made therefor:
And provided further, That this act shall not embrace any claim for losses as aforesaid which accrued more than four years prior to the date of approval of this act; and all such claims must be presented within six months after such date, and no claims for losses which may hereafter accrue shall be allowed unless presented within six months from the time the loss occurred."

Sec. 2. That it is hereby made the duty of the Postmaster General to report his action herein to Congress annually, with his reasons therefor in each particular case.

Approved, January 21, 1914.

"An Act to amend the act approved June Twenty-Fifth, Nineteen Hundred and Ten, entitled 'An Act to establish Postal Savings Depositories for depositing savings at interest with the security of the government for repayment thereof, and for other purposes.'"

[Ch. 126, United States Statutes at Large, XXXIX, Part I.]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That sections two and thirteen of the ... [postal savings act] be hereby amended to read as follows:

"Sec. 2. That provisions of section three of the act of July fifth, eighteen hundred and eighty-four, entitled 'An act making appropriations for the service of the Post Office Department for the fiscal year ending June thirtieth, eighteen hundred and eighty-five, and for other purposes,' are hereby extended and made applicable to all official mail matter pertaining to the business of the postal savings system; and hereafter the board of trustees for the control, supervision, and administration of the postal savings depository system shall not be required to show in the annual report prescribed by section one in the act of June twenty-fifth, nineteen hundred and ten, establishing such system, the amount of work done for that system by the Post Office Department and postal service in the transportation of free mail.

"Sec. 13. Postmasters, assistant postmasters, clerks, or other employees at post offices of the presidential grade, and postmasters at post offices of the fourth class, shall not be allowed or paid any additional compensation for the transaction of postal savings depository business."

Approved September 23, 1914.
"An Act to amend the act approved June twenty-fifth, nineteen hundred and ten, authorizing the Postal Savings System, and for other purposes."

[Ch. 89, United States Statutes at Large, XXXIX, Part I.]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That such part of section six of the [postal savings act], as reads "but no one shall be permitted to deposit more than $100 in any one calendar month" is hereby amended to read as follows: "but the balance to the credit of any person, upon which interest is payable, shall not exceed $1,000, exclusive of accumulated interest"; and said act is further amended so that the proviso in section seven thereof shall read as follows: "Provided, That the board of trustees may, in their discretion, and under such regulations as such board may promulgate, accept additional deposits not to exceed in the aggregate $1,000 for each depositor, but upon which no interest shall be paid."

Sec. 2. That postal savings funds received under the provisions of this act shall be deposited in solvent banks, whether member banks or not of the Federal reserve system established by the act approved December twenty-third, nineteen hundred and thirteen, being subject to National or State supervision and examination, and the sums deposited shall bear interest at the rate of not less than two and one-fourth per centum per annum, which rate shall be uniform throughout the United States and Territories thereof; but five per centum of such funds shall be withdrawn by the board of trustees and kept with the Treasurer of the United States, who shall be treasurer of the board of trustees, in lawful money as a reserve. The board of trustees shall take from such banks such security in public bonds or other securities, authorized by act of Congress or supported by the taxing power, as the board may prescribe, approve, and deem sufficient and necessary to insure the safety and prompt payment of such deposits on demand. The funds received at the postal savings depository offices in each city, town, village, and other locality shall be deposited in banks located therein (substantially in proportion to the capital and surplus of each such bank) willing to receive such deposits under the terms of this act and the regulations made by authority thereof. . .

Approved, May 18, 1916.

"An Act making appropriations for the services of the Post Office Department for the fiscal year ending June thirtieth, nineteen hundred and nineteen, and for other purposes."
Sec. 12. That hereafter the balance to the credit of any one person in a postal-savings depository, exclusive of accumulated interest, shall not exceed $2,500. Non-interest paying deposits shall not be accepted. All laws inconsistent herewith are hereby repealed.

Sec. 13. That section six of the Act approved June twenty-fifth, nineteen hundred and ten, is hereby further amended so that the proviso in said section shall read as follows:

"Provided, That in order that smaller amounts may be accumulated for deposit, any person may purchase for 10 cents, from any postal-savings depository, specially prepared adhesive stamps to be known as 'postal-savings stamps,' and attach them to a card which shall be furnished for the purpose. A card with ten postal-savings stamps affixed shall be accepted as a deposit of $1 either in opening an account or in adding to an existing account, or may be redeemed in cash."

Approved, July 2, 1918.

"An Act to provide for the safer and more effective use of the assets of banks, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes."

Sec. 11. . .

(c) Section 8 of the Act entitled "An Act to establish postal savings depositories . . ." is amended by striking out the first sentence thereof and inserting in lieu thereof the following: "Any depositor may withdraw the whole or any part of the funds deposited to his or her credit with the accrued interest only on notice given sixty days in advance and under such regulations as the Postmaster General may prescribe; but withdrawal of any part of such funds may be made upon demand, but no interest shall be paid on any funds so withdrawn except interest accrued to the date of enactment of the Banking Act of 1933: Provided, That Postal Savings depositories may deposit funds in member banks on time under regulations to be prescribed by the Postmaster General."

(d) The second sentence of section 9 of the Act entitled "An Act to establish postal savings depositories . . ." is amended by striking out the period at the end thereof and inserting in lieu thereof a colon and the following: "Provided, That no such security shall be
required in case of such part of the deposits as are insured under section 12B of the Federal Reserve Act, as amended."

Approved June 16, 1933.

"An Act to amend the Second Liberty Bond Act, as amended, and for other purposes."

[Ch. 5, United States Statutes at Large, XLIX, Part I.]

Sec. 6. .

(e) The board of trustees of the Postal Savings System is authorized to permit, subject to such regulations as it may from time to time prescribe, the withdrawal of deposits on less than sixty days' notice for the purpose of acquiring Savings Bonds which may be offered by the Secretary of the Treasury; and in such cases to make payment of interest to the date of withdrawal whether or not a regular interest payment date. No further original issue of bonds authorized by section 10 of the Act approved June 25, 1910, shall be made after July 1, 1935.

Approved, February 4, 1935.

"An Act to provide for the discontinuance of the Postal Savings System, and for other purposes."

[Public Law 89-377, United States Statutes at Large, LXXX, Part I.]

Be it enacted by the Senate and House of Representa-
tives of the United States of America in Congress assembled, That title 39, United States Code, is amended by adding the following new sections to chapter 85 thereof:

Sec. 5225. Discontinuance of Postal Savings System

"(a) The closing date for the Postal Savings System is the thirtieth day immediately following the date of the enactment of this Act. On and after the closing date no deposits shall be accepted in existing postal savings accounts and no new postal savings accounts shall be opened. After the closing date the Board of Trustees of the Postal Savings System shall not be required to maintain the 5 per centum reserve of postal savings funds otherwise required to be maintained by section 5214 of this title nor to apportion deposits in banks in accordance with sections 5215 and 5219 of this title.

"(b) Interest on deposits in the Postal Savings System shall cease to accrue on the anniversary dates of the
respective certificates occurring in the twelve-month period starting with the closing date.

Sec. 5226. Liquidation of accounts

"(a) During the closing period beginning on the closing date and ending on the last day of the first fiscal year which shall begin after such closing date, the Postmaster General is authorized and directed, to the extent practicable, to terminate the business, settle and pay the accounts, liquidate the assets, discharge the obligations, and otherwise wind up the affairs of the Postal Savings System, in accordance with such rules, regulations, and authority as may be prescribed by the Board of Trustees of the Postal Savings System.

"(b) In the settlement and payment of any Postal Savings account, including all interest accrued thereon, which is maintained in the name of the deceased, presumed dead or incompetent depositor, or which is determined payable to--

"(1) a minor,
"(2) a person adjudicated mentally incompetent or under other legal disability, or
"(3) the estate of a person who is deceased or presumed dead, the payment of such account, or any appropriate share thereof, may be made to a legal representative of the depositor, or to a legal representative of the person or property of such claimant. Where there are no outstanding guardianship or administration proceedings on the person or estate of the depositor, or the person or estate of such claimant, the Board of Trustees of the Postal Savings System shall determine the person who is otherwise qualified to receive payment according to the laws of descent and distribution of the State where the account is held. Payment made under this subsection shall be a bar to recovery by any other claimant of amount so paid.

"(c) Until the last day of the first fiscal year which shall begin after the closing date for the Postal Savings System, the Postmaster General shall continue to cover into the postal revenues the excess of interest and profit accruing from the deposit or investment of postal savings funds after the payment of interest due to depositors in the Postal Savings System.

"(d) The annual report of the Post Office Department for the fiscal year which includes the closing date shall include a statement with respect to the progress, results, and status of the winding up of the affairs of the Postal Savings System under this Act, together with such recommendations as the Postmaster General deems advisable.

Sec. 5227. Liquidation of investments

"To facilitate the winding up of the affairs of the Postal Savings System, the Secretary of the Treasury shall redeem or purchase the public debt obligations of the United States, which are held for the account of the Postal Savings System, at their par value whenever it will not be advan-
tageous to sell such public debt obligations on the regular market.

Sec. 5228. Transfer of deposits to Treasury
"Effective on the first day of the second fiscal year which shall begin after the closing date for the Postal Savings System, the total amount of unpaid deposits, including the accrued interest due thereon, as shown by the books of the Board of Trustees of the Postal Savings System, shall be transferred to the Secretary of the Treasury. The Secretary of the Treasury shall deposit the amount so transferred under authority of this section in the Treasury to the credit of the trust fund receipt account 'Unclaimed moneys of individuals whose whereabouts are unknown.' Expenditures are authorized to be made from such account as provided by section 725p of title 31, United States Code.

Sec. 5229. Regulations
"The Board of Trustees of the Postal Savings System is authorized and directed to prescribe such rules and regulations, and to make such delegation of authority, as may be necessary to carry out the purposes of sections 5225-5228 of this title."

Approved March 28, 1966.
Appendix D\textsuperscript{a}

Summary of Postal Savings Business
by Fiscal Years, 1911-1967

\textsuperscript{a}Adapted from Postmaster General, Annual Reports, 1911-1967, passim.
<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Deposits</th>
<th>Deposits</th>
<th>Withdrawals</th>
<th>Balance to credit of depositors (^b)</th>
<th>Number of depositors</th>
<th>Average principal per depositor</th>
</tr>
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<tbody>
<tr>
<td>1911</td>
<td>400</td>
<td>$778,129</td>
<td>$100,984</td>
<td>$677,145</td>
<td>11,918</td>
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<td>1915</td>
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<td>86,177,406</td>
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<td>111,161,210</td>
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<td>131,671,300</td>
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<td>6,707</td>
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<td>110,945,232</td>
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<td>1930</td>
<td>6,795</td>
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<td>366,900,908</td>
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<td>1,197,920,188</td>
<td>2,562,082</td>
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\(^b\)Includes accrued interest.
<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Depositories</th>
<th>Deposits</th>
<th>Withdrawals</th>
<th>Balance to credit of depositors</th>
<th>Number of depositors</th>
<th>Average principal per depositor</th>
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<tr>
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<td>c</td>
<td>2,617,564,136</td>
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*Deposit and withdrawal figures not available after 1951.*
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<tr>
<th>Fiscal Year</th>
<th>Total deposits</th>
<th>Balance to credit of depositors</th>
<th>Number of depositors</th>
<th>Average principal per depositor</th>
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<td>2,658</td>
<td>52,950,369</td>
<td>607,304</td>
<td>88.25</td>
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"Uncle Sam to Coax a Billion from the People's Stockings." Literary Digest, LXX (July 23, 1921), 12.


"What the Postal Savings-bank Might Be, But is Not." *Literary Digest,* January 29, 1921, pp. 74-76.