Baltimore Morning Herald
January 26, 1901

Mayor Hayes' Plan Faulty

Demand for More Interest Unreasonable

Rate is High Enough

Banks Now Paying as Much as Practicable

His Honor's "Freeze Out"

Believes He Can Gain His Point by Selecting New Depositories

From present indications it would seem that Mayor Hayes is determined to "freeze out" the five city depositories originally selected by the finance commissioners, and by the same token it appears probable that the commissioners will overthrow his plans.

The quintet have refused to raise the interest rate upon city deposits from 2 percent to 2-1/2 percent, and at the meeting of the finance commissioners Thursday they presented their reasons for taking this position, and to all of the commissioners but the mayor these reasons apparently seemed just. His Honor was bent upon securing 2-1/2 percent and accordingly moved that the offer of the Bank of Commerce and the Drovers and Mechanics' Bank to pay the higher rate be accepted. The First National and the National Marine banks were appointed additional depositories upon the same terms January 12. But there was no second to the mayor's motion and in consequences it was lost.

Yesterday he announced that he had received offers of 2-1/2 percent from two more banks. He seemed much pleased thereat and intimated that the city might soon be in a position to dispense with the aid of the five original depositories.

"At the meeting of the finance commissioners," he said, "the number of depositories was limited to nine. If nine banks offer to pay 2-1/2 percent, I see no reason why we should continue to accept 2 percent from the original five. The argument that one bank is more secure than another is not a good one. All city depositories are required to bond in the sum of $500,000. As the city's deposits in any one never exceed this amount, no loss can be sustained."

A city official who does not agree with the mayor said yesterday:

"In endeavoring to guard the city's interests His Honor's efforts are, of course, praiseworthy, but I think that he had better think twice before deposing the present depositories. They are the largest banks in Baltimore, and in consequence the best able to handle the large sums deposited by the city. A small bank might be wrecked by a deposit of several hundred thousand dollars upon which it was forced to pay 2-1/2 percent interest. In case a crash followed the city, though secured by the bank's bond, would be compelled to wait a long while before it really received its money. This might lead to serious embarrassment.

"The fact that the larger banks are better able to aid the city in an emergency is also a reason why they should be continued as depositories. This was pointed out by Mr. Douglas H. Thomas in his letter to the finance commissioners. Baltimore city is a borrower as well as a lender and at times it needs help badly."

City Register Numsen, though anxious to secure as high an interest rate as is possible, does not fully coincide with the mayor.

"Two percent," he said yesterday, "seems to be about all that a bank managed upon conservative principles can afford to pay. The work of handling the checks given the holders of city stocks I onerous enough to make up for the odd ½ percent. Each year the interest upon $40,000,000 is paid to between 6,000 and 8,000 bondholders. Were the city to undertake the work of paying them direct it would be compelled to employ two extra clerks at an expense of between $2,000 and $3,000 a year."

Mayor Hayes said yesterday that the ½ percent additional would yield the city $7,500 a year. This is reckoning upon an average balance of $1,500,000. But Register Numsen believes that the balances during 1901 will be less than $1,000,000 and probably near $500,000. This would make the city's gain but $2,500, just about the sum which would be lost by employing two clerks to pay the bondholders at the register's office.