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## Researching the early history of savings banks in New York and in Ireland

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**Researching the Early History of Savings Banks  
in New York and in Ireland**

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**UCD SCHOOL OF ECONOMICS  
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RESEARCHING THE EARLY HISTORY OF SAVINGS BANKS  
IN NEW YORK AND IN IRELAND<sup>1</sup>

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<sup>1</sup> Forthcoming in the *European Association for Banking and Financial History Bulletin*.

## RESEARCHING THE EARLY HISTORY OF SAVINGS BANKS

Cormac Ó Gráda

My research on the history of savings banks began serendipitously. In the spring of 1995 I held a visiting position in Ireland House at New York University. There met Marion Casey, then a graduate student at NYU and an expert on the history of the New York Irish, who had just rescued archives belonging to the Emigrant Industrial Savings Bank (EISB), one of the city's best-known financial institutions, and deposited them in the New York Public Library.

The EISB – which became the Emigrant Savings Bank in 1967 and has long been known colloquially as 'the Emigrant' – has had a distinguished and occasionally checkered history in the Big Apple. It was founded in the spring of 1850 by Irish-born philanthropists as an offshoot of the Irish Emigrant Society. The new savings bank, one of several to be founded in the city around this time, targeted primarily immigrants from the Emerald Isle. Its early clientele was overwhelmingly Irish.

The bank's 'Test Books' included the names and many details about each account-holder, such as place of birth down to parish or townland level, the names of spouse, parents, and other family members, address and occupation in New York, date of arrival in the United States and, in many cases, even the ship on which the account-holder traveled. For example, Bridget White, the EISB's first depositor, was the wife of a tailor living on Henry Street in the city's Seventh

Ward. Born near the town of Mountmellick in the Irish midlands she had traveled from Liverpool to New York nine years earlier on the Fairfield. Such information make the Test Books one of the richest sources on the nineteenth-century Irish diaspora, and a boon to those interested in genealogical research. The rescued records also included volumes describing the entire account histories – from initial deposit until the account was closed – of all those who opened accounts in the EISB in the 1850s. Unfortunately, those for later years have been lost.

The Emigrant material added a new dimension to the study of the antebellum New York Irish (see [6] and [7] below). During the late 1840s and 1850s the Irish potato famine caused hundreds of thousands of mainly rural Irishmen and Irishwomen to emigrate to the New World. Many of the emigrants landed and settled in New York. Of particular interest to me was the Irish presence in the city's Sixth Ward, an impoverished and notoriously tough part of lower Manhattan. The EISB records revealed much about the Sixth Ward Irish. Hardly surprisingly, account holders living there were more likely to be white collar workers and small-time businessmen than Sixth Ward residents in general. Yet the Test Books show that most savers were nonetheless unskilled workers or petty traders. They included 89 labourers, 36 domestic servants, 24 washerwomen, 19 porters, 13 fruitsellers, 18 tailors, and 9 junk dealers. Martin Hogan from Limerick described himself as a 'fireman in Sweeney's saloon', while John O'Donoghue from Longford was a 'barkeeper at John Dempseys'.

John Shea of Tuosist distributed handbills, Jeremiah Daly of the same place sold matches, and Bridget Daly of Ahamlish ‘picked hair’ [6: 120]. The early history of the Emigrant, combined with other data, testified to the adaptability and resilience of the emigrant Irish – even the very poorest among them – and their eagerness to improve their lot. It also suggested that the emigrant was fulfilling the role envisaged by its creators.

The data also facilitated a study of the savings patterns of poorer Americans, along the lines of earlier studies of the Baltimore Bank for Savings by Peter Payne and Lance Davis, and of the Philadelphia Savings Bank by George Alter, Claudia Goldin, and Elyse Rotella (see [10] and [11]). Our analysis of EISB savers in the 1850s showed that, while semi-skilled and clerical workers and the middle classes were overrepresented among the depositors, people with proletarian, blue-collar occupations, both male and female, were also very much to the fore. One in four of the first two hundred or so males to declare an occupation were in unskilled labouring jobs requiring little or no literacy. Among women the proportion in menial jobs was greater.

By 1860 the EISB had ten thousand depositors, mostly Irish-born, or about one-in-twenty of the Irish-born population of New York and Brooklyn, and obviously a much higher proportion of those in the age-groups likely to produce most savers. Presumably some Irish-born savers had accounts in other New York savings banks. Most Emigrant accounts began with relatively large deposits, but with women depositing less than men; most were held for only a

year or two, and most held less at the close than at the outset, implying that the bank was not used as a vehicle for accumulation (see [1], [7], [5]). Research into the EISB uncovered a significant stratum of New York's Irish, who although poor, had accumulated significant sums even before becoming account-holders, and who were quite willing to deposit it in a financial institution, the likes of which would have been unknown to most of them in Ireland.

The EISB was the subject of two panics in the 1850s. The first, in 1854, was prompted by the failure of the corruptly-run Knickerbocker Savings Bank and was confined to the savings bank sector. The second was a far more serious crisis, with global ramifications. [2], co-authored with Morgan Kelly (UCD), and [4], co-authored with Eugene White (Rutgers), exploit the riches of the EISB data in the 1850s to throw some light on the important question 'Who panics during panics?' Both papers rely on databases that combine information on 1854 and 1857 in the Test Books and deposit books. It should be noted that neither panic was characterized by an immediate mass exodus of account-holders; indeed, some savers reacted by merely hedging, i.e. by withdrawing some of their savings, but keeping their accounts open.

Kelly and Ó Gráda [2] used the EISB data to test a model of financial contagion where individuals – here represented by account-holders – hear some bad news and pass it on to their acquaintances, who pass it on to others in turn, leading to a market panic. The EISB records provided the data necessary to shed some light on the information networks of market participants. For simplicity

the study distinguished between the minority who ‘panicked’ and closed their accounts, and the majority who did not. It found that those who panicked were systematically different. It argued that, as recent immigrants, the social networks of EISB account-holders were largely determined by their place of origin in Ireland, and where they lived in New York. And, indeed, the networks produced by county of origin and New York address turned out to have been the prime determinant of their behaviour during both panics.

Ó Gráda and White [4] highlight the difference between the two panics, seeing the first as caused by less sophisticated ‘outsiders’, and the second led by more rational and more savvy ‘insiders’. Social networking was a key factor in the purely local panic of 1854, which did not force a temporary shut-down of all savings banks as happened in 1857. The 1857 panic was global; it began with runs by businessmen and banking sophisticates, who were soon followed, however, by less well-informed depositors. Eugene White and I argue that this panic was driven by informational shocks in the face of asymmetric information about the true condition of bank portfolios. Thus depositors with professional occupations, those who were not Irish, and those among the Irish who were longest in the U.S. were more likely to panic in 1857, and less likely to panic in 1854. Again, in 1857, those with a high number of transactions were more likely to panic, although this declined during the panic, suggesting that the more sophisticated led the pack.



Research on the Emigrant Savings Bank spawned an interest in the history of savings banks in Ireland. Although a handful of studies of individual Irish savings banks existed – notably Tyrrell’s study of the Belfast Savings Bank [17] and James O’Shea’s study of the Thurles Savings Bank [15] – nobody had written about the system in Ireland in general. In [3], [5], and [8] I addressed different aspects of the early history of Irish savings banks.

The founders of the savings banks movement, both in the United States and the United Kingdom, aimed to offer their humble prospective clients three things: a relatively attractive return on their savings, considerable liquidity, and security. Their goal was to encourage the saving habit as insurance against destitution in old age. So attractive, however, was the rate of interest payable to depositors in the early decades that many people who were far from poor sought to benefit. ‘Savings banks as an institutional import’ [3] reviews the early history of savings banks in Ireland. Combining sectoral data and an archive-based study of one savings bank, it describes the growth and performance of this imported institution. Ireland’s first savings bank was founded in 1817; their number grew rapidly until about 1830, slowly thereafter. Official sources contain a great deal of statistical information about Irish savings banks in general, while the generosity of local historian James O’Shea facilitated a more detailed microstudy of savings patterns in one Irish provincial town. O’Shea’s own fine study of the Thurles Savings Bank, following his discovery of its archives, informed my own later work. The period between the 1810s and the Great Famine (1846-50)

witnessed both the rapid development of Ireland's savings bank network and a series of collapses that would almost bring the network to its knees.

Thurles Savings Bank was founded in 1829 and remained in business until 1871. Relative to the EISB it was a minnow; it relied mainly on voluntary staff, and operated on a strictly part-time basis, being open for deposits only between 1 and 2 p.m. on Mondays. Analysis of savers' occupational profiles shows that, by and large, both in Ireland as a whole and in Thurles savings banks catered disproportionately for the lower-middle and middle classes, rather the industrious poor as intended by the founders of the movement. In Thurles, unskilled labourers (males, typically employed on a daily or weekly basis in pre-famine Ireland) and servants (mostly female, and likely to be employed for months at a time), were underrepresented. Labourers accounted for half the labour force on the eve of the Great Famine, but for only one saver in fifty. In effect the Thurles bank was a bank for farmers and their families. More than one account holder in four was described as a farmer or a member of a farming family, and it is clear from the ledgers that a significant number of those described merely as 'minors', 'spinsters', 'widows', and 'married women' were also from farming families. These categories were to the fore throughout the bank's history. Savers opening their accounts with a deposit of less than £2 included three labourers, thirty-eight servants, seven bakers, and two farmers. Savers opening with an even £30 included seven labourers, eight servants, one

baker, 311 farmers, and 296 other members identified as belonging to farming households.

The low average opening balances of domestic servants and unskilled labourers are expected, those of tailors and bakers perhaps less so. At the other end of the spectrum were landowners and gentlemen, the groups with the highest average maximum balance. The closeness of opening, closing, and maximum balances for farmers, farmers' wives, and farmers' children suggest that farmers used the accounts of family members to extract maximum benefit from the bank. A curious feature of the evidence from Thurles is that more than one lodgement in three was for exactly the maximum permitted sum of £30. Many of these were in the names of children, so quite plainly children's accounts were used to overcome the regulation that no single account be augmented by more than £30 in a single year.

In general, the picture in Thurles and elsewhere in Ireland is of rather inactive accounts, with an average of just a few transactions a year, and the number of deposits exceeding withdrawals. In the pre-famine period, when Thurles Savings Bank was most active, the average closing balance exceeded the average opening balance in all occupational categories. This suggests that the bank was used as a vehicle for accumulation. The average account was held for about four years, with little variation here across occupations or parishes. However, it was not unknown for account-holders to close their accounts and re-open another later. The significant proportion of accounts in the names of

children (11 per cent) and juveniles (12 per cent) again suggests that these were used to circumvent the rules.

Our findings thus mirror the more iconoclastic findings of historians Albert Fishlow and Neil Smelser regarding early English savings banks. Indeed, the profile of savers in Ireland was even more skewed towards the better-off than in England and, particularly, in Scotland, where the banks came closest to meeting the early hopes of the founders of the savings bank movement (compare [12]).

In [3] and [5] I analyze the impact of runs on savings banks in 1848 and 1856 on the fortunes of the Thurles Savings Bank. In April 1848 the nearly simultaneous but unrelated failures of three Irish savings banks – two in County Kerry, one in Dublin – resulted in a run on the remaining banks from which they would never quite recover. The Thurles bank – and other savings banks in nearby towns – were subject to a second panic less than a decade later, when the Tipperary Joint Stock Bank collapsed. The Tipperary Joint Stock Bank (or Tipperary Bank), established in 1840, had been run by John Sadleir, a controversial figure in Irish politics and public life, and his brother James [16]. They used its deposits to finance a variety of their own dodgy investments, and were found out in early 1856. John Sadleir's suicide on Hampstead Heath on the night of 16-17 February 1856 was prompted by the refusal of both Messrs. Glynn in London and the Bank of Ireland in Dublin to cash any further drafts on the Tipperary Bank, and by the imminent disclosure of Sadleir's role in various

embezzlement schemes. In the following days the inquest into Sadleir's death and revelations about his various scams figured prominently in the British and Irish press. Again I was interested in whether there were any discernible differences between savers driven to close their accounts in Thurles Savings Bank in the wake of the failure of the Tipperary Bank and those who closed their accounts in 'normal' times.

Both average opening and closing balances were higher during the panics than before them; farmers, members of farming families, and labourers were much more prominent among closers in 1856 than either before or after; and those who withdrew during the panic were much more likely to be people with the same surname as other closers. This is consistent with the suggestion that family networks were an influence on the decision to close an account.

Policemen, landowners, professional people, and the gentry were less inclined to panic.

The collapse of the Tipperary Bank was unfortunate for the Thurles Savings Bank in another respect: it held a balance of several hundred pounds with the Sadleirs' bank when it folded. To make matters worse, under the rules governing savings banks, that balance should have been deposited with the National Debt Office. The failure of the Tipperary Bank forced economy measures on the trustees such as reducing the actuary's salary by £10 and cutting the interest payable on deposits to 2.5 per cent. Had the whereabouts of the

bank's deposit been more widely known, the 1856 run would surely have been more serious.

My research on the early history of Irish savings banks sought to make two broad points. First, this is the story of an institutional innovation that, contrary to the intentions of its originators and supporters, and to an even greater extent than in Great Britain, benefited disproportionately the relatively better off. While the banks undoubtedly helped many people of modest means, the lion's share of the gains went to a minority of relatively comfortable account-holders, attracted by the generous interest rates on offer. For such savers, the savings banks represented a lucrative and seemingly secure alternative to commercial banks. The paradox is that in Ireland, where the unskilled and unlettered poor needed an institution such as the savings banks most, they benefited least from them.

Secondly, had other events not intervened, the socioeconomic profile of account-holders would probably have shielded the savings banks from the worst effects of the Irish potato famine. Households headed by farmers and policemen, artisans and tradesmen – representative savings banks account-holders – suffered too, but were much less at risk of bankruptcy or destitution than those of, say, landless and semi-landless labourers or fishermen [6]. So, surprisingly perhaps, the worst crisis ever to affect Irish savings banks was provoked less by the economic woes of account-holders than by the independent but near-simultaneous failures of three poorly-run savings banks in 1848. Nonetheless,

the Irish economy's relative backwardness may partly explain the savings banks' vulnerability to poor management and embezzlement, and why these failures would prove so damaging for the entire Irish savings bank system. In the following decades, alas, the savings banks would not solve Ireland's old age social security problem; public action in the form of the means-tested old age pension would be much more effective in that respect [9].

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