Creating Citizen Savers:
Financial Institutions, Working Households, and State Regulation in the Northeastern US, 1830s-1930s

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Introductory Note

My dissertation examines the origins, development and regulation of the financial institutions that arose to serve "ordinary" people in modern America. Why and how did mid-twentieth century Americans gain access to and come to rely on a system of financial institutions for saving and borrowing over their life courses when a little over one hundred years earlier formal financial services had been primarily reserved for the commercial needs of elite merchants and tradesmen? The question of how the expansion of access to financial institutions took place has some relevance for current social scientific and public policy debates on working and poor people's access to financial institutions. Yet this history has received relatively little scholarly attention. The few studies that have examined the question focus narrowly on the costs and risks of financial intermediation and contracting between savers and borrowers as the key to the puzzle. My dissertation seeks to broaden our discussion of the development of financial institutions for working and poor people by rooting it within historical changes in social policies, protective regulation, and the organization of the household economy. In particular, it explores three analytical themes. First, most financial institutions for working and poor people were established by social philanthropists and leaders in the nonprofit sector and reflected changing ideas about dependence and social welfare. The innovations that savings institutions introduced reflected the organizational assumptions and concerns of their founders and were little influenced by for-profit commercial banking. Second, the nineteenth-century state (both legislatures and courts) played an active and interventionist role in determining the structure and development of the institutions through an extensive web of protective legislation and rulings that promoted and stabilized financial institutions serving working households. Finally, samples of personal financial records illustrate that working people adopted and used the institutions in socially stratified ways that reflected long-term changes in the organization and economic strategies of the household. This first chapter deals primarily with the first of these three issues: the changing social policy context within which financial institutions for working and poor people arose. Thanks for reading it and I look forward to your feedback.

– Dan Wadhwani

Chapter 1: Origins

In the northeastern United States over the half-century before the Civil War, a novel group of financial institutions were built, specifically to serve the needs of "ordinary" working people. Unlike the existing commercial banks that financed trade and commerce, the new institutions were designed for *personal* saving and *household* finance. Mutual benefit societies, for example, allowed working people to save for illness, injury or death. Savings banks accepted their small deposits. And even a handful of building and loan associations were established, foreshadowing their future widespread use to finance homeownership. Why did these financial institutions for ordinary people suddenly emerge in the early nineteenth century?

Historians and social scientists usually understand the sources of innovation and development in financial institutions in the same way they understand the origins of change in business corporations generally. That is, owners, entrepreneurs, and managers created organizations and developed products to expand into previously untapped markets and to capture new profits. As the eminent economic historians Douglass North and Lance Davis have argued in their synthesis of the development of American banking, "A meaningful history of finance in the United States can only be told in terms of the rearrangements that resulted from the innovation of new institutions to capture and recapture the profits that, in 1810, were external to any institution."[1]

The financial institutions that were established for working people in the early nineteenth century, however, had very different origins. They did not develop out of the business and commercial banking sector at all, but rather out of fundamental innovations taking place in the institutional structure of relief and social welfare in American society. Leading social philanthropists and public policy makers, armed with novel ideas about the causes of dependence and worried that indiscriminate poor relief perpetuated pauperism, actively sought new approaches to social welfare. Savings institutions, which were designed to encourage working people to prepare for unemployment, old age, or misfortune while simultaneously reducing the need for charity, were part of a host of new social institutions

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[1] Lance Davis and Douglass North, *Institutional Change and American Economic Growth*. (Cambridge: Cambridge University Press, 1971), 105.

established by these social reformers in the early nineteenth century.

Thus, to fully understand their origins we must recognize that savings institutions themselves were visible symbols of a deeper and more complex transformation taking place in social policy in early nineteenth-century America. Underlying the institutional development were changes in ideas about pauperism and relief, a new group of laws and public policies, and a novel set of social practices. This chapter examines the origins of savings institutions at each of these levels. The first section describes the intellectual movement that supported a shift away from poor relief toward encouraging working and poor people to save for uncertainty. In the second section, I describe the institutional and legal innovations, and in particular the re-formation of mutual benefit societies and the creation of savings banks, that put the new ideas into practice. The final section presents the efforts by social reformers, philanthropists, and government officials to incorporate these new institutions into the daily lives of ordinary people. Taken together, they give us a sense of how savings institutions were woven into the intellectual, legal, and social fabric of American society by the middle of the nineteenth century.

Intellectual Foundations

Between the 1790s and the 1830s, the promotion of household saving became a staple of social policies and ideas in the United States and throughout much of Europe. As was the case with ideas about relief in general during this period, British authors took the lead. British political economists, social thinkers, and tract writers participated in elaborating what was by mid-century a widely held set of ideas about how household saving could prevent pauperism and relieve poverty. American public officials and social philanthropists followed the work of their British counterparts closely and echoed many of their ideas about saving and social welfare in their own writing.

Proposals on the establishment of financial institutions for the poor, in fact, predated the nineteenth century. As early as 1698, Daniel Defoe had advocated the creation of a kind of national beneficial society in which all citizens could be members. But such ideas remained outside the main body of writing and thought on poverty and poor relief. In the nineteenth century, however, these proposals became rooted in a deeper set of concerns, creating the intellectual framework within which savings institutions developed over the next century.[2] Specifically, proposals for financial institutions for ordinary working people gained attention because of two broader developments: a sense that there was a growing public crisis about how to deal with poverty and a new set of ideas about the causes of pauperism.

To public officials and social philanthropists the emerging crisis was most apparent in the rising costs of poor relief and the expanding number of paupers. In New York City, the number of almshouse residents tripled between 1790 and 1816 and, warned the institution's superintendent, "the outdoor poor are already incalculable and rapidly increasing." By 1817, one out of seven New Yorkers received either public or private charity relief, a proportion that would climb higher during severe winters.[3] "Our poor-rates and our poor are yearly on the increase," lamented John Griscom of New York's Society for the Prevention of Pauperism.[4] Poor relief costs and the number of paupers in Philadelphia began climbing rapidly as early as the 1760s.[5] In Massachusetts a committee assembled to examine the problem reported, "the increase of the pauper burden had exceeded, in a given number of years, the proportion of the increase of the pauper burden of Great Britain."[6]

To publicly minded Americans these were alarming developments. Poverty had been a significant fact of life in colonial America but it was not the kind of visible and seemingly intractable problem that it had become in the half century after the Revolution. The scale and concentration of poverty in London and other British cities was to Americans "a spectacle, unparalleled in the compass of civil history."[7] But American port cities were beginning to take on some of the same troubling features. The living conditions of the "lower orders" deteriorated visibly as patterns of residential segregation slowly emerged, corralling the poor into undesirable locations on the periphery of commercial districts. The area between Broadway and the East River in New York City grew dense and crowded as native laborers and immigrants packed the district. A visitor to the city in 1803 noticed that in that area of New York "the streets are small and crooked; the foot-paths, where there are

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[2] H. Oliver Horne, *A History of Savings Banks* (London: Oxford University Press, 1947), 21.
[3] Raymond Mohl, *Poverty in New York* (New York: Oxford University Press, 1971), 14-34, 87-90, 112.
[4] Society for the Prevention of Pauperism in New York [hereafter SPPNY], *Annual Report* (New York: J. Seymour, 1818), 7.
[5] Gary B. Nash, "Poverty and Poor Relief in Pre-Revolutionary Philadelphia," *William and Mary Quarterly* (1976); Priscilla Clement, *Welfare and the poor in the nineteenth-century city* (Rutherford [N.J.] : Fairleigh Dickinson University Press, 1985).
[6] Michael Katz, *In the Shadow of the Poorhouse* (New York: Basic Books, 1996), 16.
[7] SPPNY, *The Second Annual Report of the Managers of the Society for the Prevention of Pauperism in the City of New York* (New York: E. Conrad, 1820), 40.

any, narrow, and …the houses are mean, small, and low."[8] In Philadelphia and Boston, laborers, sailors, and working people clustered in the areas near the docks, where many of them found work by the day.[9] Along with the rising poor-rate that taxed the pocket book, the emergence of publicly visible poverty made the problem difficult to avoid.

The expanding need for poor relief, historians have pointed out, was caused by fundamental economic and demographic changes that were transforming American society. Though halting and uneven, the expansion of wage labor and the slow decay of craft production narrowed the opportunities for journeymen and apprentices to become independent craftsmen and increasingly left them dependent on others for their livelihood. The percentage of the population without any taxable productive property from which they could earn a living crept steadily higher.[10] The piecemeal development of large workshops and manufactories and a growing division of labor created an expanding need for low-wage unskilled laborers, a need often filled by new immigrants or by workingwomen. As Alexander Keyssar has pointed out, this transformation in the organization of work simultaneously left working people dependent on an uncertain labor market for their survival and eroded the small property holdings and skills that they had used to cope with the unsteadiness of work in the past. Seasonal work stoppages added to the increasing uncertainty of finding work and left large numbers of working families in need of relief during winter months.[11] Contemporary observers recognized that most working people lived under the constant threat of slipping into poverty and a large and increasing number depended, at least occasionally, on relief for survival.

Rapid demographic changes further strained the existing system of public and private relief. The population of New York City grew five fold between 1790 and 1830. Though New York grew the fastest, other cities of the East, particularly the mid-Atlantic, also expanded rapidly. Baltimore's population increased by four fold and Philadelphia's by two and a half.[12] Aggregate population figures, however, mask the even more dramatic growth in the number of people who were passing through these cities. Irish immigration steadily increased after the War of 1812, as newcomers joined free blacks to form an expanding pool

[8] Christine Stansell, *City of Women,* (New York: Alfred Knopf, 1987), 9.
[9] Blumin; Whitehill [find the full citations]
[10] Nash, 22.
[11] Alexander Keyssar, *Out of Work* (New York : Cambridge University Press, 1986), Chapter 1.
[12] United States Census, 1790, 1830.

of casual day laborers who worked along the docks or constructed roads and canals. "When they do arrive," complained one relief official, "instead of seeking the interior, they cluster in our cities, or sojourn along our sea-board, depending on the incidents of time, charity, and depredation for subsistence."[13] Seasonal migrants from the interior also made their way into the port cities in search of work and relief during winter months, sending public expenditures soaring. These developments stretched the poor-rates and strained the existing parochial boundaries of relief.

However, when American and British writers and social reformers sought to understand the underlying causes of the rising costs of relief and the expanding number of paupers they usually pointed to a very different source for the problem. "Poverty and wretchedness have increased in exact proportion to the efforts which have been made for the comfortable subsistence of the poor," explained Joseph Townsend in 1786, expressing a view that soon gained widespread acceptance among leading intellectuals. "[W]herever most is expended for their support, the objects of distress are most abundant."[14] Over the next half century, countless writers, from esteemed political economists to popular self-help authors, attacked charity, and public relief in particular, as the cause of the rising rate of pauperism. It was a clear lesson "in moral causes and effects, that runs through the history of empires," explained John Griscom, "the imprudent and indiscriminate administration of public and private charities [that] have encouraged pauperism in Great Britain, will have the same tendency here."[15] Relief, critics argued, undermined independence and the need to work, encouraged thriftlessness and idleness, and relaxed morals. Without the self-discipline created by necessity, poor relief had spawned a host of other immoral and permissive habits, contributing to the growth of common criminality, prostitution, vagrancy, and other social problems that afflicted society. Patrick Colquhoun, the widely read social writer, London police magistrate, and tireless penal reformer explained that the poor laws had created a situation in which "the indigent of the present period are not only on the whole less moral; but also on the whole less frugal, than a century ago," creating the steady growth in the expenditure on relief.[16] The Second Annual Report of the New York Society for Prevention

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[13] SPPNY, *Second Annual Report*, 20.
[14] Joseph Townsend, *A Dissertation on the Poor Laws*. (Berkeley: University of California Press, 1971), 20.
[15] SPPNY, *Second Annual Report*, 43.
[16] Patrick Colquhoun, *Treatise on Indigence* (London: J Hatchard, 1806), 33.

of Pauperism echoed that “it is now the general belief, among intelligent and reflecting men in Europe” that poor relief tended to “relax morals, destroy all anxiety for a livelihood, extinguish ambition, unnerve the arm of industry, [and] produce intemperance.”[17]

But it was the publication of Thomas Malthus’ Essay on Population in 1798 that gave the greatest intellectual legitimacy to the notion that relief “pauperizes the poor.” Malthus’ work added the weight of scientific credibility and certainty to the attack on poor relief. Insisting that relief violated the “principle of population,” he argued that because land was limited the food supply always restrained the growth of population through the natural checks of hunger and famine. By distorting the threats posed by these natural checks, poor relief encouraged fertility, expanded the population, and channeled resources to unproductive members of society. The poor tax in fact pushed marginal farmers and small producers into the ranks of paupers. Poor laws concluded Malthus “create the poor which they maintain.”[18]

The impetus for the creation of institutions within which poor and working people could save grew directly out of this growing critique of poor relief. Unlike public relief, these were institutions for the poor that almost every economist, social reformer, and public official could agree on in its broad principles. By encouraging the poor to plan for old age, loss of work, and periods of illness, savings institutions could relieve material misery, re-instill self-discipline and prevent legions from being a burden on the nation and state. Joseph Townsend, David Ricardo, Jeremy Bentham, Frederick Eden, George Rose, Patrick Colquhoun, and a host of other British writers advocated such an institution as a cornerstone of a new approach to public welfare. Americans Thomas Eddy, Roberts Vaux, Josiah Quincy, William Ellery Channing, John Griscom, and others echoed the basic sentiments. Even Thomas Malthus, who remained famously skeptical of all other efforts to relieve poverty, found in the savings bank a public institution based on sound political-economic principle and in accordance "with the lessons of nature and providence." "Of all the plans which have yet been proposed for the assistance of the labouring classes," he wrote in a 1826 edition of the Essay, "the savings banks... appear to me much the best, and the most likely, if they should become general, to effect a permanent improvement in the

[17] SPPNY, *Second Annual Report,* 41.
[18] Gertrude Himmelfarb, *Idea of Poverty* (New York : Knopf, 1984), 111; Thomas Malthus, *Essay on the Principle of Population.*

condition of the lower classes of society."[19]

Countless proposals and plans were circulated on how such an institution for working and poor people should be organized. Joseph Townsend sought to make friendly societies compulsory.[20] Patrick Colquhoun suggested the creation of a “National Deposit Bank” to receive sums saved by “parochial societies.”[21] Jeremy Bentham proposed “frugality banks” operated through a network of privatized workhouses, while Malthus had early on recommended a system of “country banks.”[22] One author lamented, so “many schemes of this kind are formed which vanish like the baseless fabric of a vision.”[23] Advocates quarreled and disagreed over important questions. Some, for example, wanted to extend and nationalize the existing system of friendly or benefit societies while others preferred the creation of an entirely new institution. But despite important differences, most political economists and tract writers agreed on several basic principles that formed the intellectual foundations for the development of the institutions over the course of the nineteenth century.

First, most writers and advocates agreed that prudential institutions could not only relieve the material distress of the poor but also re-instill the moral rectitude and discipline that poor relief had supposed eroded. “Effectually to relieve the poor, is … a task far more comprehensive in its nature, than simply to clothe the naked and to feed the hungry,” explained John Griscom of the Society for Prevention of Pauperism. “It is, to erect barriers against the encroachments of moral degeneracy; -- it is to heal the diseases of the mind.”[24] Steeped in a growing faith in the essential corruptibility and perfectibility of the human character, leading intellectuals believed that in order for social policies and institutions to be truly effective they needed to influence individual morality and personality, where the potential causes of pauperism lay.

Advocates of savings institutions shared the notion that such institutions could encourage personal economic discipline and independence, in turn fostering other salutary behaviors. "It will promote virtue, morality, and industry," promised Colquhoun. "It is

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[19] 1826 edition of *Essay* reprinted in EA Wrigley and David Souden, eds. *The Works of Thomas Robert Malthus*, Volume 3 (London: William Pickering, 1986), 555-557 (pages 407-410 in the 1826 edition).
[20] Townsend, 64.
[21] Colquhoun, 122.
[22] Horne, 28-32.
[23] John Haygarth, *An Explanation of the Principles and Proceedings of the Provident Institution at Bath for Savings* (Bath: Richard Cruttwell, 1816), 14.

perhaps one of the surest props that can be devised for the support of legal authority, while it breathes only humanity and philanthropy."[25] Malthus suggested that savings banks could "promote general habits of prudence and foresight" and perhaps even encourage couples to wait to marry "if the times were unfavorable."[26] "[S]obriety, industry, and economy [would] take [the] place of drunkenness, idleness, and prodigality, and due subordination would be again restored" if all citizens were required to join friendly societies asserted Joseph Townsend.[27] John Hyde of New York reported to the New York legislature that savings institutions could promote "economy, prudence, industry, and sobriety," while J.W. Treadwell of Boston wrote that "the moral effects of institutions like this must be apparent, when the intemperate labourer can be shown the difference between spending his shillings at the dram shops, and placing them in the Savings Bank."[28] It was such assertions that led Karl Marx to acerbically comment in 1844 that "political economy – despite its worldly and wanton appearance—is a true moral science" and that "its moral ideal is the worker who takes part of his wages to the savings bank." Drawing on the growing list of assertions about the effect of saving on discipline and morality among the poor, Marx retorted caustically, "The less you eat, drink and buy books; the less you go to the theater, the dance hall, the public house; the less you think, love, theorize, sing paint, fence, etc., the more you *save* -- the *greater* becomes your treasure which neither moths nor dust will devour."[29]

Moral regeneration was closely tied to the second principle: regulation. In order to influence personal finances and household economies of working and poor people, savings institutions and public policies needed to penetrate into private family life. Joseph Townsend proposed an extended system of friendly societies that would be legally compulsory. As Colquhoun conceived it, savings institutions were part of the "systematic superintending police" powers of the state, intended for "regulating the economy and improving the morals of the poor."[30] Such sentiments were shared by American social reformers who generally agreed that "any measure for the promotion of public good, or the prevention of public evil" could "come within the reach of any public or any social

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[24] Griscom, "Report on the Subject of Pauperism" in SPPNY, *First Annual Report*, 18.
[25] Colquhoun, 137
[26] Malthus, *Essay*, 1826 edition, 408.
[27] Townsend, 64.
[28] NYSPP, *Documents Relative to Savings Banks, Intemperance, and Lotteries* (New York: E. Conrad, 1818), 2, 8.
[29] Karl Marx, *Economic and Philosophic Manuscripts of 1844*, 150.

regulation."[31]

But when advocates conceived of regulation, they also meant regulation of the savings institutions themselves. After all, financial institutions subject to commercial volatility and potential failure would ultimately undermine the steady and disciplined habits of personal economy that advocates were trying to promote. Thus, most political economists and tract writers agreed that these should be public or quasipublic financial institutions, closely regulated by the government and segmented from commercial institutions. Patrick Colquhoun's vision of a "national deposit bank," for example, would have had the state guarantee all deposits as well as manage their investment in public bonds.[32] Jeremy Bentham would have had the state create low-interest bearing small-denomination bonds that would attract safety-conscious small savers and avoided the volatility and risk of commercial markets.[33] Savings institutions, these authors agreed, needed to be stable, safe, and well-regulated, avoiding the volatile commercial market that might lead to institutional failures and undermine the good moral habits that had been carefully nurtured. It is notable that none of the classical political economists nor the tract writers suggested that such a system of savings institutions for working people would evolve out of commercial banking nor that it should be based in commercial finance, particularly without some form of public coordination or regulation.

Finally, many advocates argued that any overall system of institutions needed to cross existing religious and communal boundaries. In order to have a general impact on poverty, such institutions needed to be wide or universal in access, even if they were not compulsory. Colquhoun developed a scheme that included a sliding scale of minimum monthly deposits so that it would include "all ages and all conditions among the laboring classes. The poorest among them are not excluded, since the deposits or premiums are adapted to the circumstances of every one who can afford to pay one shilling a month, while superior benefits attach to those who are in a situation to enter upon higher classes." Contrasting his own proposal with the existing system of friendly societies with their restrictions on membership, Colquhoun boasted "every person, male and female, from the age of twenty to sixty shall be members, in which shall be included inferior tradesmen,

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[30] Colquhoun, 82, 89.
[31] Griscom, "Report on the Subject of Pauperism," in SPPNY, *First Annual Report*, 18-19.
[32] Colquhoun, Chapter 4.
[33] Horne, 28-32.

handicrafts, mechanics, labourers, and menial and other servants."[34] Townsend insisted that his system of friendly societies needed to be "made universal."[35] Frederick Eden made a plea that women as well as men be admitted to friendly societies.[36] Broad access was needed, advocates insisted, if savings institutions were to have an impact on pauperism.

Ironically, the complete abolition of poor relief was not one of the commonly held principles on which advocates of savings institutions could agree on in the end. Some political economists, notably Thomas Malthus and David Ricardo, insisted that allowing the poor to save while they were simultaneously eligible for relief undermined the economic incentives for establishing savings institutions.[37] But such ideas remained too harsh, drastic, and politically unfeasible for most savings advocates to accept. In the end, establishing financial institutions for working and poor people received wider support than abolishing poor relief. Even staunch defenders of charity and relief, like renowned Philadelphia economist Mathew Carey, embraced savings institutions, suggesting in his "Advices and Suggestions to Increase the Comforts of Persons in Humble Circumstances" and in other publications to "avail yourself of the Saving Fund immediately."[38] As philanthropists and social leaders on both sides of the Atlantic rushed to establish savings institutions as the new approach to welfare, poor relief remained a resilient though battered part of the nineteenth-century welfare state.[39]

Thus, though concerned public officials and social philanthropists disagreed on fundamental aspects of what kinds of savings institutions should be established for the poor, they agreed on the need for such institutions and on certain common ideas about how they would operate. Grounded deeply in their changing ideas of pauperism, savings institutions reflected a new approach and idea about public welfare. Over the course of the nineteenth century, American economists and regulators elaborated on the outlines of the "theory of savings" but did so within parameters established by the early writings that established the role of savings institutions in promoting public welfare.

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[34] Colquhoun, 136
[35] Townsend, 64
[36] Frederick Morton Eden, *State of the Poor*, Volume 1, 629-30.
[37] Malhus, 407-10; Ricardo biography [locate photocopies]
[38] Mathew Carey, "Advices and Suggestions to Increase the Comforts of Persons in Humble Circumstances," January 25, 1832, Broadside, Goldsmith-Kress Collection, Harvard Business School Archives [hereafter Kress Collection]; Mathew Carey, "To the Public," April 12, 1830, p 2, Kress Collection.
[39] Katz, Chapter 2

Institutional Foundations

No single institution dominated the development of financial services for working and poor people in nineteenth-century America. In fact, such a variety existed in the plans for and experiments with the organization of such institutions on both sides of the Atlantic that one British author lamented "so many schemes of this kind are formed which vanish like the baseless fabric of a vision."[40] Still, not all these institutions were equally significant. A few – mutual benefit societies, savings banks, and building and loan associations – were much more commonly established and were models that were replicated in cities and towns throughout the Northeast. Savings banks and benefit societies were founded in the early nineteenth century and were in wide use by the mid-1800s, while building and loan associations were first established in the 1830s and 1840s but not common until the last two decades of the century.

Scholars have usually treated these institutions separately. There were, after all, important organizational differences between savings banks, which provided depository banking services, and benefit societies, which seem closer in relation to modern life insurance companies. But there are also important historical *and* conceptual reasons for examining these institutions together. First, all of them provided ordinary working people with personal financial services for saving (and later borrowing) to meet the risks and opportunities of their life courses. Savings banks, for example, allowed "saving amongst the poor and laboring classes of the community—to assist them in the accumulation of property that they may possess the means of support during sickness or old age," as benefit societies did.[41] Second, working people themselves used these institutions as part of their overall household economic strategies, making it important to understand the relationship between them. Finally, and most pertinent to this chapter, the origins of these institutions lay in the same historical movement to reform organized relief and encourage household saving among working and poor people. As this section will show, even the organizational

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[40] John Haygarth, *An Explanation of the Principles and Proceedings of the Provident Institution at Bath for Savings.* (Bath: Richard Cruttwell, 1816), 14. Some of the savings institutions for the poor established in the nineteenth century that I don't discuss include "fuel savings societies," which allowed working people to save during summer months to buy heating coal in the winter, and "ladies depositories," which extended small amounts of credit to poor seamstresses so that they could buy the materials for sewing garments.

[41] "Address of the Philadelphia Saving Fund Society to the Public," December 13, 1816, reprinted in James

differences between these institutions grew out of disagreements over precisely how savings institutions for working people should be organized in order to have the greatest salutary impact on the household economy.

These institutions developed out of older forms of organized relief, not out of the precedent set by commercial banking and finance. Their organizational form reflected ideas and assumptions that were reshaping social institutions and relief more generally in the early nineteenth century. Benefit societies, the first organizations to receive the attention of social reformers, were conceived based on the formalization of existing forms of mutual aid. Savings banks, in turn, developed out of reformers' dissatisfaction with the limits of benefit societies as well as their experiences in establishing other social institutions, for education, criminality, insanity, and healthcare. Together, they explain the organizational forms that financial institutions for ordinary people took in nineteenth-century America.

Mutual Benefit Societies

In a 1794 account of "The City of Philadelphia and of the Different Charitable and Literary Institutions Therein," James Hardie noted that there were "a number of societies instituted within these few years which are here called Mutual Benefit." He explained that "members contribute some small sum at entrance, and a certain additional trifle either monthly or quarterly…[for] the sole purpose of assisting each other in sickness; and of making a provision of the widows and orphans of the deceased."[42] Though only a handful of societies existed when Hardie published his pamphlet in the 1790s, by the 1830s hundreds of such mutual benefit associations were operating in Philadelphia alone. The sudden emergence and rapid growth of benefit societies between the 1790s and the 1830s was the result of organized efforts by public officials and social leaders to promote their establishment among working and poor people and was the first in a series of attempts to create savings institutions for ordinary households.[43]

Willcox, *A History of the Philadelphia Saving Fund Society* (Philadelphia: JB Lippincott, 1916), 25.

[42] James Hardie, *A Short Account of the City of Philadelphia and of the Different Charitable and Literary Institutions Therein* (Philadelphia: Jacob Johnson and Company, 1794), 22-23. Few studies of nineteenth-century American fraternalism grapple with the origins of the institutional form. For example, Mary Ann Clawson, *Constructing Brotherhood* (Princeton: Princeton University Press, 1989); Simon Cordery, "Fraternal Orders in the United States: A Quest for Protection and Identity," in *Social Security Mutualism*, Marcel van der Linden, ed (Berne: Peter Lang, 1996), 83-110.

[43] On the general development of beneficial and charitable societies see Richard Brown, "The Emergence of Voluntary Associations in Massachusetts, 1760-1830," *Journal of the Voluntary Action Research* [find

The benefit societies that were established after the turn of the century were actually based on a familiar institutional model. Organized mutual aid had, in fact, been an integral part of poor relief throughout the Colonial and Revolutionary Eras. Churches and religious organizations often created "box societies" through which parishioners contributed to the relief of the church's needy members. The Episcopal Charitable Society in Boston, for example, aided "those in special manner, who become Members of, or Benefactors to this Society, and such Others (always provided they be of the Church of England) whom this Society shall think meet."[44] Secular societies also existed, particularly to aid those who did not qualify for public relief. For example, immigrant aid societies, such as the Scottish St. Andrew's Society and the English St. George's Society, provided aid to their members as well as assistance and relief to newly arrived countrymen.[45]

Among eighteenth-century societies there was no stark division between private benefit and public aid. Almost all colonial-era societies included the relief of nonmembers as an integral part of their purpose and public legitimacy. Most often based on religion or ethnicity, these private societies collected dues or contributions and offered aid to needy fellow parishioners or countrymen in ways that supplemented public relief. For instance, the St. Andrew's Society of Philadelphia, organized by "Natives of Scotland," aided "our Country People…especially Travelers, and transient Persons who are not entitled to the publick Charity of the Place." As was the case with public relief, private societies were organized around a rotating committee of overseers or visitors, whose duty it was to visit the sick or disabled members to provide relief and to ensure they were unable to work. Indeed privately organized mutual aid and public relief were understood to be complimentary. As the founders of the St. Andrew's Society explained, "The Usefulness of private Societies, to answer particular good Purposes, which either had not been, nor could not be so well provided for by the publick Acts of a Community, is well known to be fully justified."[46]

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this full citation in Beito or on line]; Conrad Wright, *The Transformation of Charity in Postrevolutionary New England* (Boston: Northeastern University Press, 1992).

[44] *The Articles and Rules of the Episcopal Charitable Society in Boston* (Boston: 1743)

[45] Gary Nash, "Poverty and Poor Relief in Pre-Revolutionary Philadelphia," *William and Mary Quarterly* 33 (January 1976): 23-24. *A History of St. George's Society of New York From 1770 to 1913* (New York: St. George's Society of New York, 1913). Wright, 30-31.

[46] *Rules for the St. Andrew's Society in Philadelphia* (Philadelphia: Franklin and Hall, 1751), 3. See also *The Articles and Rules of the Episcopal Charitable Society in Boston* (Boston: 1743). See also *Rules and Articles of the Massachusetts Society* (Boston: Edes, 1782); *Rules and Constitution of the Society of Englishmen* (Philadelphia: Towne, 1774).

This complimentary relationship between public relief and private mutual aid in eighteenth-century America was steeped in the religious belief that vulnerability to poverty and illness was a universal and divine condition of mankind. "Our obligation to afford protection and assistance to one another, does not originate in particular voluntary associations for this purpose," explained Reverend Eliphalet Porter on the occasion of the first anniversary of the Roxbury Charitable Society, a mutual aid organization in Massachusetts. "It results from the original design and law of our great Creator - from our very nature and condition as men." Given this universal vulnerability, reasoned Porter, "such beneficial associations [are laudable because they] tend to the great security of mankind in general, and the mitigation of human distress" in a way that "combined principles of prudence and charity, of self-love and social" obligation.[47]

The early nineteenth century, however, marked a shift in the institutional purpose and structure of mutual benefit societies. The growing concerns about pauperism and dependence focused new attention on benefit societies and promulgated involvement by civic leaders and charitable organizations, as well as the public sector, to establish a more structured and organized system of mutual aid among poor and laboring people. In contrast to the older organizational models of mutual aid, which based their legitimacy in religious obligation, these new proposals by social reformers saw the beneficial societies as a way of re-instilling self discipline and independence that direct relief had eroded. If instituted widely and based on fixed rules and regulations, benefit societies could provide an *alternative*, not a supplement, to public relief and dependence. Societies organized after 1800 increasingly reflected these concerns. As the 1806 charter of the New York Ancient Britons' Benefit Society explained, the association was organized for "mutual relief, when rendered incapable of attending to their usual trade or calling, by reason of sickness or infirmity, and also for the purpose of preventing themselves and families from being chargeable to the public when under affliction."[48] Likewise the Working Men's Beneficial Society of Philadelphia was formed in1830, because it "bespeaks true dignity of spirit, and is in all other respects, truly laudable to support ourselves at all times, without being troublesome to, or

[47] Eliphalet Porter, *A Discourse Delivered Before the Roxbury Charitable Society* (Boston: Samuel Hall, 1794), 17, 12-13.
[48] Quoted in Mohl, 156.

dependent on others for support and assistance."[49]

The leaders of civic and charitable institutions promoted the organization of benefit societies among working people in several ways. Using published rules and charters from "model" British friendly societies, they helped create and organize benefit associations based on "sound principles."[50] Charity officers both created societies themselves and aided others in organizing them. They also encouraged and prodded working people into these societies. Raymond Mohl has pointed out that several charities in early nineteenth century New York gave aid only on condition that the recipient join a mutual benefit society.[51] In Philadelphia, Quaker reformers played an instrumental role in helping the city's freedmen establish several of their numerous beneficial societies. The original charters of many mutual benefit associations, in fact, indicate that a significant majority of the incorporators were illiterate, suggesting that they had assistance in shepherding the organization through the legal process of incorporation.[52]

The state was a crucial partner to philanthropists in these endeavors. As Peter Dobkin Hall has pointed out, legal changes in incorporation and trusteeship played an essential role in the growth of charitable and nonprofit institutions and their use in public policy for the distribution of social services in the early nineteenth century.[53] The most important support for benefit societies came in the form of enabling legislation that made it easier, faster and less expensive for them to gain state charters. Most states did not pass free incorporation laws until the late nineteenth century, making it necessary for hopeful incorporators to request special acts of legislation to gain legal corporate status. But beginning in the 1790s, some state legislatures allowed small charitable organizations to gain "court-approved" state charters or significantly eased the incorporation process for such

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[49] *Constitution and By-laws of the Working Men's Beneficial Society of the City and County of Philadelphia* (Philadelphia: J Coates Jr, 1830).
[50] For examples of the published rules of "model" friendly societies see *Friendly Societies: Seven Pamphlets, 1789-1839*. (New York: Arno Press, 1972). James Cowe, *Religious and Philanthropic Tracts* (London: 1797).
[51] Mohl,
[52] Gary Nash, *Forging Freedom* (Cambridge: Harvard University Press, 1988), 210-11. Constitution and Rules To Be Observed and Kept by the Friendly Society of St. Thomas's African Church of Philadelphia" Philadelphia, WW Woodward, 1797. The section on African Methodist Episcopal Church of Philadelphia explicit thanks Warner Mifflin for aid.
[53] Peter Dobkin Hall, "Resolving the Dilemmas of Democratic Governance: The Historical Development of Trusteeship in America, 1636-1950" in Ellen Condliffe Lagemann, *Philanthropic Foundations* (Bloomington: Indiana University Press, 1999), 3-42.

organizations. Legislatures often used the relative ease or difficulty of getting a state charter as a way of setting public policy and encouraging or discouraging the growth of targeted services and industries, a message that was not lost on benefit society advocates. As the constitution of the Baltimore Beneficial Society noted, the Maryland legislature was "desirous of promoting such useful institutions."[54]

States eased incorporation for benefit societies and other small charitable organizations in several ways. Many New England states seem to have simply granted more charters. Partly as a result of this, the number of benefit societies in the region quadrupled between 1787 and 1807. New York, on the other hand, bundled several petitions into a single act, thus granting charters in batches. In February 1805, for example, the Legislature passed a single act incorporating four societies in New York and one in Schenectady.[55] It was Pennsylvania, however, that may have taken the most significant steps to liberalize the laws relating to the incorporation of benefit and charitable societies. A Pennsylvania law, passed in 1791 and amended several times over the course of the nineteenth century, allowed small literary, charitable, and religious organizations to get charters with the approval of the Attorney General and the State Supreme Court rather than the entire legislature. Benefit societies in the state flourished under the protections of this law.[56] As Table 1.1 shows, the number of benefit societies incorporated under the act between 1812 (when a consistent set of records began to be kept) and the middle of the nineteenth century exceeded incorporation of churches, libraries, dispensaries, and all other organizations.[57]

Incorporation gave mutual benefit societies a number of important privileges and rights that furthered their development. Societies were recognized as legitimate legal entities, a status that allowed them to sue and be sued. Incorporation also allowed them to hold property separately from the individuals who composed the association. And it gave the mutuals the power to establish binding by-laws for their members. More broadly, it created

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[54] *Constitution and By-laws of the Baltimore Beneficial Society* (Baltimore: 1818).
[55] "An Act to incorporate the Provident Society, the Mutual Benefit Society, the Benevolent Society, the Albion Benefit Society of the City of New-York and the Social Society of the City of Schenectady," February 16, 1805, *Laws of New York,* Twenty-Eighth Session. Chapter IX.
[56] *The Statues at Large of Pennsylvania*, 1791, Chapter MDXLVII, "An Act to Confer on Certain Associations of the Citizens of this Commonwealth the Powers and Immunities of Corporations, or Bodies Politic in Law," 50-53. By 1860, and perhaps much earlier, Massachusetts had passed a similar law. See "Of Associations for Religious, Charitable, and Educational Purposes," *General Statutes of Massachusetts* (1860), Chapter 32, p 207.
[57] Charter Books, volumes 1-8, 1812-1875, Bureau of Corporations, Record Group __, Pennsylvania Historical and Museum Commission, Harrisburg, PA. [Hereafter "Charter Books, PHMC"]

a public and legal identity for the societies. Even societies that were not incorporated now had precedents on their public and legal status as benefit societies.[58]

As a result of the efforts of charity officials to promote their use based on sound rules and the work of legislatures to legitimize them, mutual benefit societies of the nineteenth century shared a number of important similarities in form and legal status. First, as a group, the mutual benefit societies established after 1800 tended to be composed of people of modest or middling means, in contrast to those of the societies that existed in the previous century. Earlier forms of mutual aid had often served as a way for established members of an occupation, religion or ethnicity to aid those in need. As a result, benefactors and contributing members were usually quite wealthy. But, as charity officials actively promoted mutual aid among working people as *self*-help, the official membership of the societies became notably less elite. Table 1.2, which shows the changes in the taxable property of the members of four of the older New England societies, indicates that even the well-established associations began to include some members of modest means.

Second, mutual benefit societies were governed by a remarkably similar set of internal rules and external public laws that regulated membership in and the operation of the associations. Informal social practices, of course, differed tremendously between societies and affected how they were run, but elaborate rules and laws limited these discretions and partly formalized the relationship between members and their organizations. Charity workers who promoted benefit societies promulgated a common set of bylaws based on the published rules of “model” friendly societies. Public officials may have furthered the standardization of organizational rules by creating a faster and more uniform incorporation process, in which important operational rules were included in an organization’s articles of incorporation. As a result, the internal rules of most societies were elaborate, specific and very similar. The vast majority of societies, for example, tried to avoid the risks of an aging membership by placing strict limitations on the age of new applicants; in Pennsylvania, approximately __ percent of societies had some age limit and __ percent only allowed new applicants between the ages of 21 and 45. Most associations also screened applicants to make sure they were "of good character, free from all bodily infirmities, which might render them burthensom to the Society." Rejection of applicants on these grounds did take place. All societies also had an initial vesting period, typically six to twelve months in length, during

[58] *Ibid*.

which new members were not eligible for benefits. Members who fell ill "from a venereal infection, insobriety, boxing, fighting, horse racing, or other improper conduct or practices" were typically ineligible for sick benefits and often also received reduced burial benefits if death resulted. Most societies (including patriotic and nativist ones like the True American Beneficial Society of Philadelphia) made members ineligible to receive benefits if they "enlist[ed] as a soldier or enter[ed] on board any vessel, as a seafaring man." Such specific rules were often spelled out within the organizations' charters and by laws and *were* in fact used regulate members.[59] For instance, when Samuel Prior a member of the Union Beneficial Society of Salem County applied for benefits in1844, he was refused them on the grounds that he had not "applied for the same according to the laws of this Society."[60]

The development of formal rules and rights of membership were not just created by internal by-laws but also by the legal status of beneficial societies and by a growing body of law pertaining to membership in them. In an 1810 case, for example, the Supreme Court of Pennsylvania ruled that the St. Patrick's Benevolent Society could not expel John Binn from its membership and deny him benefits for "falsely and scandalously vilifying" a fellow member.[61] Such an action, the court argued, was in violation of the terms of membership outlined in its articles of incorporation. In another case, the same court ruled that a member of the Howard Beneficial Association did not have a right to his $6 per week sick benefits because "the corporation is bound by the fundamental articles to pay only when it is in funds; and it has determined that it is not."[62] The importance of the legal and public identity was, of course, most immediately relevant to the many incorporated societies, but they also shaped the unincorporated ones. One nineteenth-century legal treatise on the subject explained that even with unincorporated societies courts still defined the "rights and liabilities of members" based on precedents set in other benefit-society cases.[63] The significance of these rules and laws in determining the operation of benefit societies should not be overstated. Informal practices and diversity in the societies' meetings and

[59] Charter Books, PHMC. The rules quoted in this paragraph were from the *Articles of* Incorporation Friendship Mutual Assistance Society of Germantown, Volume 1. However, the language used in the rules in the other charters were often identical.
[60] Minute Book of the Union Beneficial Society of the County of Salem, NJ, May 1844, Clubs and Associations Records, Collection 2038, Historical Society of Pennsylvania, Philadelphia.
[61] Commonwealth v. The President and Members of the St. Patrick's Benevolent Society. PA 441. (March 31, 1810).
[62] Toram v. The Howard Beneficial Association. 4 PA 519 (February 22, 1846).
[63] A.J. Hirschl, *The Law of Fraternities and Societies* (St. Louis: William H Stevenson, 1883), 2, 3-5.

memberships played an important role in determining how associations worked from month to month. Still, as Conrad Wright has concluded, though “fraternalism was not he same break with the past” that other nineteenth-century social institutions were, “[e]ven within mutual associations…institutionalization led to structured and enduring relationships among members who otherwise would have dealt with each other informally and in passing.”[64]

Interestingly, the development of formal rules of membership created a novel and important distinction between the rights of members and nonmembers to aid. Eighteenth-century mutual aid organizations did not generally make stark distinctions between members and non-members in distributing relief. Certainly, as the rules of the Roxbury Charitable Society explained, “the membership… should they be overtaken by misfortune, and reduced to indigence, will justly have prior claim to relief.” But at the same time the organization’s fundamental purpose was to provide aid “both to themselves and to others” and it promised that “no child of want that shall come within our knowledge…will be considered as foreign from our design.”[65] Eighteenth-century societies excluded people from receiving relief on other grounds, such as religion, ethnicity, or residence. But their rules and object did not create stark distinctions in rights to relief based on membership. The Episcopal Charitable Society in Boston, for example, was organized for “those in special manner, who become Members of, or Benefactors to this Society, and such Others (always provided they be of the Church of England) whom this Society shall think meet.”[66] Among societies organized after 1800, however, the legitimate legal differences between members and non-members grew starker. Members developed a right to the stated benefits not only because of their informal social claims as part of a community but also because they could claim to have a legally binding right to benefits during times of need. The two documents that almost every mutual benefit society published and gave to its new members were its charter and bylaws, a contract of the rights and rules of membership.

In contrast, nonmembers not only lacked such rights but also lost some of their claim to relief because it was not written into the rules of the charter and bylaws. This did not mean that benefit societies no longer helped non-members in need; charity continued to be an important part of what many benefit societies did, though the amount of assistance

[64] Wight, 64.
[65] Porter, *Discourse*, 13.
[66] *The Articles and Rules of the Episcopal Charitable Society in Boston* (Boston: 1743)

given by benefit societies to nonmembers *did* in fact decline over the first two decades of the nineteenth century. More importantly, the claims that needy non-members of a community had on a society were not the same that they had been. When Peter Brown, a member of the Fredonia Lodge of the Order of United American Mechanics in West Philadelphia died in 1851 before he was fully vested, his widow still requested the relief benefits that members' widows were entitled to. Several motions put before the membership to give her these benefits failed. The members did take up a separate collection to provide her with relief but did not pay her benefits from the treasury.[67] While charity continued to be a significant part of nineteenth-century fraternalism, the legal and public status of beneficial societies was transforming the relationship between them and those in need and beginning to create important differences between charity and benefit.

As much as social reformers drew on a well-known model of mutual aid in establishing benefit societies in the early nineteenth century, the organizations themselves were novel in fundamental ways. Increasingly they acted as savings institutions for working people themselves rather than organizations through which the fortunate helped the poor. They began to create a public system of formal, enforceable rules that defined the relationship between members and the societies, even as the meetings and culture of the societies remained informal and diverse. And they introduced the doctrine of the legal rights of members to receive benefits, placing it above the legitimate social rights of nonmembers to relief. Benefit societies did not mark the fundamental break from older forms of relief that savings banks would, but in formalizing mutual aid they structured the relationship between members the societies, created novel distinctions between those who saved and those who did not, and became the first in a series of experiments in establishing financial institutions for working people.

Savings Banks

In late 1816, leading philanthropists and civic officials gathered in Philadelphia, New York, and Boston to organize a new type of savings institution for working and poor people. The Philadelphia group explained that while they were "greatly encouraged by the existence of numerous benefit societies in the city," the associations had certain limitations in their

[67] Minute Book, Order of United American Mechanics, Fredonia Lodge, No 52, April-May 1851, Collection 1209, Historical Society of Pennsylvania, Philadelphia.

ability to encourage thrift and protect the savings of working people. "[W]ithout entertaining a wish to diminish the number of those societies, and with the highest consideration for the objects they have in view," the organizers presented a plan for a new institution that would "afford a secure and profitable mode of investment *for small sums* (returnable at the will of the depositor on a short notice) to mechanics, tradesmen, laborers, servants, *and others*." It would be managed by leading citizens whose "names and characters" would guarantee that it would "never be violated by mismanagement."[68] The institutions that were formed out of these organizational meetings in 1816 – the Philadelphia Saving Fund Society, the Provident Institution for Saving in Boston, and the Bank for Savings in New York – together provided the basic organizational model for savings banks in the United States throughout the nineteenth century.

Even as they continued to encourage the formation of mutual benefit societies after the turn of the century, leading philanthropists had grown concerned that the societies had a number of inherent problems -- ones that highlighted the need for a new kind of savings institution. Managed by working people themselves, benefit societies seemed to elites to be poorly run, unstable, and fraught with corruption. The associations were "subject to many accidents, and by the fraud and dishonesty of the agents of the society, or by the misconduct of its members the whole of its treasures are sometimes wasted, or directed to improper purposes," explained the founders of the Philadelphia Saving Fund Society (PSFS). "Often after years of uninterrupted contributions, and when the aged and infirm count with confidence on a sure provision from the society for sickness and their widows, they find these expectations entirely defeated." Rare incidents of younger members forcing the dissolution of a society and the distribution of its assets just as older members were beginning to draw benefits shocked philanthropists and convinced some that self-managed institutions for the poor would always be prone to instability.[69]

Even more troubling to them was the fact that benefit societies might actually serve to undermine the moral and social order that they were intended to promote. Though public officials could encourage and even require the adoption of specific rules by benefit societies, the societies' meetings themselves usually took place behind closed doors, a fact that unnerved philanthropists who grew concerned that the sociability of these meetings

[68] PSFS Pamphlet, March 3, 1817, Reprinted in Willcox, *History*, 31-39. Emphasis not mine.
[69] *Ibid*, 35-36.

promoted intemperance and even served as a basis for the organization of trade unions and dangerous political movements. One British tract that received an American readership warned of the "illegal combinations among workmen, for which the alehouse meets of the Friendly Societies afford at the present the opportunity and the cover."[70] Though American public officials worried less about the potential political threats posed by benefit societies than their British counterparts, the fear that benefit societies might serve as a basis for protecting trade interests was never far from their minds. When the "Associated Mechanics and Manufacturers of the Commonwealth of Massachusetts" applied to the state legislature for a charter as a benefit society, the legislature changed the name of the organization to "The Massachusetts Charitable Mechanics' Associations" before granting it incorporation to emphasize that it was to act as a charitable and beneficial association for its members, not as a trade representative.[71] Such efforts were only of limited effectiveness, as many trade-based benefit societies became settings for labor issues. By 1845, for example, the Boston Mechanics' and Laborers' Mutual Benefit Association was petitioning the Massachusetts legislature "for the protection of Mechanics and Laborers from the rapacity of unprincipled Contractors…who (by 'underbidding' the honest practical Master Mechanic) monopolize a vast amount of the building of Houses… and unjustly appropriate to their own use a large proportion of the hard-earned wages of the Mechanics and Laborers whom they employ."[72]

In fact, over the course of the nineteenth century, benefit societies were used as the institutional form for a remarkable variety of associational efforts, not all of which social reformers viewed with approval. Table 1.3, which shows the types of organizations incorporated under the Pennsylvania Act of 1791, illustrates this diversity. Pennsylvania benefit societies included ethnically-oriented societies as well as staunchly nativist ones; trade associations dominated by masters as well as separate journeymen's associations. While the vast majority of societies catered only to men, a handful were organized specifically to serve women or both sexes. At least fifteen were incorporated specifically for freedmen.[73] Such

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[70] Horace Twiss, Esq., Barrrister at Law, *A Tract on Savings Banks; Addressed to the Editors of the Principal Newspapers, and other Peridical Publications; to Which is Added, A Short and Practical Plan, consisting of twelve plain regulations, easily applicable to the circumstances of any district.* (London: B. M'Millan, 1816), 6
[71] Wright, 146.
[72] "The undersigned, citizens of Boston, composing a Committee of the 'Boston Mechanics' and Laborers' Mutual Benefit Association…" January 25, 1845, Pamphlet Collection, Hagley Museum and Library, Wilmington, Delaware.
[73] Charter Books, PHMC.

institutional malleability was a problem for social reformers who saw this as a perversion of the original intent of the societies.

Benefit societies also seemed limited in their ability to serve a diverse and increasingly mobile population. Most societies catered to specific communities, leaving out those who fell between the cracks of the communal lines. As the founders of the Philadelphia Saving Fund Society identified in 1817, there was a public need for "disinterested friendly services" for those "who have no friends competent or sufficiently interested in their welfare, to advise and assist them, in the care and employment of their earnings." Benefit societies also often refused to cover members who were traveling or left their city of origin, a growing problem in a society that was increasingly mobile. And very few benefit societies admitted new members above the age of forty-five.[74]

Growing concerns about benefit societies provided the immediate impetus for the search for an institutional alternative. But the organizational form of the savings bank was forged within the broader context of the rapid emergence of secular social institutions generally in the first half of the nineteenth century. Along with asylums, prisons, orphanages, schools, and hospitals, savings banks reflected the new institutional approach to social welfare. Among the immediate antecedents of the Bank for Savings in New York, for example, the nineteenth-century historian Emerson Keyes included not only benefit societies, but also relief organizations, hospitals, schools, and orphanages. These institutional precedents, explained Keyes, "are introductory and preparatory to the organization of savings banks, which had their origin in the same causes and their purpose the amelioration of the same conditions."[75] Thus, to understand the institutional innovation and the organizational form of the savings bank, we must place it within the context of the development of social institutions more generally.

The links between the development of savings banks and the emergence of other social institutions is most apparent in the fact that they shared a common set of founders. Those who met in Boston, Philadelphia, and New York in 1816 to organize the first savings banks were also the founders of the other social institutions in the early nineteenth century. The New York group, for example, included New York Hospital founders and trustees John

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[74] PSFS, "Address to the Public," December 13, 1816, in Willcox, 26. *Ibid.*
[75] Emerson Keyes, *A History of Savings Banks in the United States,* Volume 1 (New York: Bradford Rhodes, 1876), 34, 25-34.

Murray and William Bayard, Asylum for the Insane incorporators Cadwallader Colden, and Newgate prison founder Thomas Eddy. They also included several state and federal legislators, future president of the United States William Henry Harrison, and three New York mayors, including DeWitt Clinton.[76] Among the Provident Institution for Savings in Boston founders were poor-law reformer and future mayor Josiah Quincy, abolitionist William Ellery Channing, and asylum benefactor and Lieutenant Governor William Phillips.[77] Similarly, the Philadelphia Saving Fund Society included penal reformer Roberts Vaux and ambassador and legal reformer Condy Raguet.[78] These overlapping trusteeships and the links between leading institutional founders provided the social network through which many of the organizational ideas for savings banks took form.

The role of Thomas Eddy in founding the Bank for Savings in New York provides a good illustration of how the institution took shape. Though best known for his work as a New York penal reformer and leading advocate for the cutting-edge Newgate prison, Eddy was involved with the development of a number of other institutions including the Bloomingdale Asylum for the Insane and the New York Hospital, through which he knew many of the city's other notable philanthropists and civic officials. Like other leading American social reformers, Eddy was keenly aware of the ideas and institutional developments taking place in England. He not only read the published works of British writers but was also in personal contact with them, his closest correspondent being the London magistrate and fellow penal reformer Patrick Colquhoun. He and Colquhoun exchanged letters on a wide range of ideas dealing with prisons and law, common schools, and asylums for the mentally ill. Through Colquhoun, Eddy also began corresponding with other British reformers including Jeremy Bentham and George Rose. At the same time, Colquhoun and fellow British penal reformer William Roscoe began writing to Roberts Vaux, the future incorporator of the Philadelphia Saving Fund Society.[79] As David Lewis has put it, Eddy "was a member of a trans-Atlantic community of the benevolently inclined."[80] The growing common philosophy they shared was that social problems were

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[76] Charles E Knowles, *History of the Bank for Savings in the City of New York*. (New York: Bank for Savings, 1929), 20-21, 49-61.
[77] Walter Muir Whitehill, *The Provident Institution for Savings in the Town of Boston, 1816-1966*. (Boston: Provident Institution, 1966), 3-21, 111-121.
[78] Willcox, 11-43.
[79] Knowles, 13-16. Samuel Knapp, *Life of Thomas Eddy* (New York: Conner and Cooke, 1834).
[80] W. David Lewis, *From Newgate to Dannemora: The Rise of the Penitentiary in New York, 1796-1848*

not inherent or divine but rather were the result of the development of individual character. Well-managed social institutions with the right rules could in turn reshape individual failings and promote social welfare.

In 1806, Colquhoun shared with Eddy that he was working “in a manner different from other authors” on an idea for “ameliorating the conditions of the laboring people…[and] economizing human subsistence,” an inchoate concept that later took form as his proposal for a National Deposite Bank which he presented in his *Treatise on Indigence*.[81] In 1816, when British reformers were already experimenting with establishing savings banks and provident institutions, Colquhoun wrote to Eddy that “[w]e are now anxiously engaged in forming a Provident Institution, or Savings Bank, in the western district of the city upon the principle suggested and explained in my *Treatise on Indigence.*” Later in the same year Colquhoun sent Eddy “[a]n account of the different Savings Banks recently established,” to which Eddy responded, “Immediately on receiving from thee an account of the provident institutions in your metropolis I proposed to a number of my friends to establish a similar one in this city. A plan was formed and a number of our most respectable citizens agreed to undertake the management of it.”[82]

While British ideas and precedents profoundly influenced the development of savings banks in the United States, American reformers’ approach to savings banks was also shaped by their own ideas and experiences with building social institutions. Thomas Eddy, for example, brought his considerable experience in organizing social institutions to bear in establishing the Bank for Savings in New York. Moreover, the founders in different American cities regularly shared their ideas and experiences in organizing these savings banks, most notably in a survey conducted by the Society for Prevention of Pauperism in New York in 1817.[83] As a result, the organizational form of the savings bank in the United States reflected the larger ideas and assumptions that shaped the development of other social institutions created by American philanthropists in the early nineteenth century.[84]

(New York: Cornell University Press, 1965), *5, 30-31*.

[81] Colquhoun to Eddy, October 10, 1806, reprinted in Knapp, 216-220. [Double check this quote to make sure it is attributed to the correct letter. May be the 1804 letter. Also TT] Patrick Colquhoun, *Treatise on Indigence* (London: J. Hatchard, 1806), Chapter 4.

[82] Colquhoun to Eddy, April 19, 1816. Colquhoun to Eddy, June 14, 1816. Eddy to Colquhoun, April 9, 1817. All reprinted in Knapp, 248-267.

[83] SPPNY, *Documents Relative to Savings Banks, Intemperance, and Lotteries.* (New York: SPP, 181?).

[84] On the rise of social institutions: Gerald Grob, *Mental institutions in America : social policy to 1875* (New York: Free Press, 1973); David Rothman, *Discovery of the Asylum* (Boston: Little, Brown, 1971);

One of these assumptions, as we have already seen, was that social institutions could re-instill self-discipline among working and poor people who had grown increasingly dependent on public relief. Institutional rules and disciplines that redirected behavior could instill virtuous habits and reform the individual character. But no such institution existed to serve the household economy and personal finance, explained savings bank founders, and most working people would "willingly deposit these gains in some place of profit and safety, and they have heretofore sought in vain for such advantages." "How many among the industrious and frugal, the virtuous and happy," wondered the founders of PSFS, "by the disappointments which have been produced by confidence improperly placed, or ingratitude for benefits blindly conferred, have lost all motives to economy, and may attribute to these causes an entire change in their lives and conduct."[85] Savings banks opened up access to working people by allowing depositors to open an account with as little as one dollar, a very low minimum designed specifically to encourage good habits for those of very limited means. "The immense profit which arises from a rigid system of economy, and from depositing even small savings at interest," explained the Bank for Savings in a public advertisement, "probably exceeds the most sanguine expectations."[86] In fact, over the course of the century, newer savings banks reduced these minimums to a dime, then a nickel, and finally a penny, emphasizing the notion that lack of money was not a barrier to developing good financial habits. Intended to expose working people to a "rigid system of economy," savings institutions served to widen access to formal financial institutions.

Nineteenth-century social reformers also emphasized the need for institutions to focus on the rehabilitation of the individual. The creation of individual savings accounts reflected this concern and marked a significant break from the common treasury of benefit societies. In contrast to systems of relief and mutualism that undermined individual responsibility and encouraged dependence, individual savings accounts "will help none but those who are willing to help themselves" explained the founders of the Bank for Savings. Though this was not a notion that characterized older charities and relief organizations, they added, "it will prove emphatically charitable in its ultimate effects."[87] The development of

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Michael Katz, et al, *Social Organization of Early Industrial Capitalism* (Cambridge: Harvard University Press, 1982).

[85] PSFS Pamphlet, March 3, 1817.

[86] Bank for Savings, "An Address to the Public," June 1819, reprinted in Knowles, 41-43.

[87] *Ibid*.

individual accounts for ordinary people and personal use was a fundamental institutional innovation introduced by savings banks. Although commercial banks occasionally established deposit accounts for individual merchants, these were in fact designed as overdraft accounts that tradesmen could use to finance trade, not to serve personal saving and credit needs. Savings bank accounts, in contrast, could not be overdrawn, were established for use by working and poor people, and were created to encourage personal financial discipline.

Savings banks also represented another important innovation: easy access to one's savings. Saving in benefit societies could only be accessed until one fell sick or died and individual loans to friends or acquaintances would not easily be recalled. In contrast, savings bank deposits were, as PSFS described it, "returnable at the will of the depositor on a short notice."[88] This service was an important institutional innovation because it required savings banks to manage their investments in ways that allowed working people to withdraw their deposits on relatively short notice. Recognizing the risks of such a guarantee, the Provident Institution first announced to its depositors that they could "take [their deposits] out when they please, but the days of taking it out are the third Wednesday of January, April, July, and October, and they must give one week's notice before those days that they intend to call for their money." But even the Provident soon began to allow withdrawals on shorter notice.[89] Liquidity, necessitated by the need for the institution to serve working and poor people, created important new demands and roles for managing financial institutions.

Like most of the other new social institutions of the early nineteenth century, savings banks also shifted control and management from individuals and small community and familial institutions to the trustees of a large secular institution. As a public address by the Bank for Savings announced, the institution would be managed by a "few benevolent and disinterested individuals." Led by civic leaders, the savings of the poor would not be subject to "the fraud and dishonesty of the agents of the [benefit] society" nor to the potentially ruinous moral and political effect of benefit society meetings.[90] As the Philadelphia Saving Fund Society announced in an Address to the Public, savings banks "pledge the names and characters of those who conduct them, that the confidence which they invite shall never be

[88] PSFS, "Address to the Public," December 13, 1816.
[89] Provident Institution, Untitled Broadside, February 19, 1817, Reprinted in Whitehill, 19.
[90] Bank for Savings, "An Address to the Public," June 1819, reprinted in Knowles, 41-43.

violated by mismanagement."[91] Throughout the early nineteenth century, this actually meant that trustees operated the institutions, including taking deposits and issuing withdrawals, keeping the books, and making and carrying out investment decisions. As the institutions grew over the century, many of these tasks were delegated to clerks and professional managers but depositors themselves were consistently excluded from the formal decision making of the savings bank. To ensure the lasting control of the trustees, the founders had consciously excluded depositors from voting privileges or control over management. Some English provident institutions that American reformers were aware of were, in fact, organized in ways that gave voting power to depositors.[92] But, as with the other social institutions they created, trusteeship was essential to the organizational vision of American philanthropists.

Trusteeship was closely associated with a significant characteristic of the savings banks in nineteenth-century America, their non-profit status. Like other social institutions, savings banks were considered part of a quasi-public institutional structure through which many social and human services were administered in nineteenth-century America. The standard expectation from the trustees, in turn, was that these private institutions would be administered to serve a public function. As the incorporators of the Provident Institution for Saving in Boston explained, "The Trustees will take no emolument or pay for their service, having undertaken it solely to promote the interest of the town, and of the persons above described who may put their money therein" and that "they do not expect or desire any benefit or profit to themselves other than what is enjoyed by every individual in the community."[93] The notion that non-profit social institutions ultimately served public functions was elaborated in non-profit corporate laws that articulated the fiduciary responsibilities of the trustees. Though, as with other social institutions, savings banks did eventually hire salaried managers and even paid trustees a nominal sum, the non-profit status of most savings banks ensured the institutions would serve a broadly interpreted public function. To reinforce this, state legislatures generally discouraged the formation of joint stock savings banks, interpreting an inherent conflict of interest between the private goals of

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[91] PSFS, "Address to the Public," December 13, 1816.
[92] For an example of a British savings bank that was depositor owned, see John Haygarth, *An Explanation of the Principles and Proceedings of the Provident Institution at Bath for Savings*. (Bath: Richard Cruttwell, 1816).
[93] Provident Institution Petition to the General Court, December 11, 1816, Reprinted in Whitehill, 12.

stock holders and the public service of a savings institution of small savers. At the peak of their economic influence in 1880, 597 of the 603 savings banks in the northeast were nonprofits and they accounted for 51 percent of the aggregate deposits and capital in all commercial banks, trust companies, private banks, and savings banks combined.[94]

The basic organizational features of the first savings banks – nonprofit corporations managed by trustees offering individual depository accounts for small savers demandable on short notice – was replicated in small cities and towns throughout the Northeast over the course of the nineteenth century. Though the size and bureaucracy of savings banks did change over the course of the nineteenth century, their essential organizational features remained remarkably unchanged and eminently replicable. Over the first half of the nineteenth century, they spread to towns and smaller cities throughout the region so that, as Table 1.4 shows, on the eve of the Civil War there were 278 savings banks in operation. And by the 1870s, they were the single largest financial intermediaries in the region.[95]

To modern readers, the organizational form of the savings bank may seem natural, inevitable, and un-noteworthy. But nineteenth century observers recognized that savings banks represented the cutting-edge of social reform, an entirely novel approach to public welfare. Thomas Eddy wrote that "a more desirable mode of promoting the benefit of the poor cannot perhaps be devised."[96] Roberts Vaux and the founders of the Philadelphia Saving Fund Society claimed that "of the charitable institutions that have had for their object the amelioration of the human condition, none perhaps deserve higher commendation."[97] Diarist and New York City Sanitary Commissioner George Templeton Strong referred to them as "the most important of our [social] institutions."[98]

The origins and innovations of savings banks and benefit societies lay deep within changes in the organization of social welfare in America, their organizational structure reflecting assumptions about the role of secular social institutions in society. Though savings banks partly grew out of a critique of the limits of benefit societies, it is important to recognize that they both developed out of the same efforts to reduce pauperism and

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Provident Institution, Untitled Broadside, February 19, 1817, Reprinted in Whitehill, 19
[94] *Annual Report of the Comptroller of Currency* (Washington, DC: Government Printing Office, 1881).
[95] Keyes, 4.
[96] Thomas Eddy, Zachariah Lewis, and James Eastburn, "A Bank for the Poor," *Commercial* Advertiser (November 28, 1816), Reprinted in Knowles, 15.
[97] Willcox, 25
[98] Olmstead, 148.

dependence and were both integral to the development of financial institutions for working and poor people in nineteenth-century America. Working people themselves moved back and forth between mutual benefit societies and savings banks and used both institutions as part of their financial and household economic strategies. For working people who could and did save, these institutions and the laws and ideas they incorporated opened up a new set of quasi-public rights and opportunities in modern civil society. For those who could not or did not save, they were a fundamental attack on the public legitimacy and respectability of relief.

Building and Loan Associations

[Though the first one was established in the 1830s, building and loan associations were not in common use until the late nineteenth century. I have not yet determined whether to introduce them here or in a later chapter.]

Saving and Civil Society

When the early-nineteenth-century founders of savings banks and benefit associations envisioned the role of these institutions in society they did so in very different ways than we do today. Social reformers did not just seek to provide working people with a place to save. They wanted to reshape the household economy around a discipline of saving in ways that, they believed, would prevent dependence, improve the material and moral condition of the poor, and address a broader set of social problems. To do so, they actively reached beyond the walls of the institutions themselves and into the daily lives of working people. This involved publishing advice on how to run a household or how to save, but also included more intrusive efforts such as promoting saving during "friendly visits" with families receiving relief. In addition, the trustees of savings institutions established links to other social and civic institutions to create a network that penetrated into the private lives and personal economies of ordinary people. "If the interests of society will be promoted by these reforms in the manners and habits of the poor, which economy and exertions among them must produce," explained the trustees of PSFS, "it becomes imperatively the duty of every community to foster the design, and promote the views of this Institution." To carry out this work, they hoped that "pastors of religious congregations, preceptors of schools, heads of families, master mechanics, guardians of orphans, officers and members of economical and charitable societies, will become active agents in promoting and recommending the purposes of the Saving Fund Society."[99]

This conscious effort to intervene in the household economy of working and poor people was an elemental part of the origins of savings institutions and developed out of a new approach to social policy and poverty relief in the early nineteenth century. As John Griscom of the Society for Prevention of Pauperism explained it in 1818, "to relieve the poor is … a task far more comprehensive in its nature, than simply to clothe the naked and to feed the hungry. It is, to erect barriers against the encroachments of moral degeneracy; -- it is to heal the diseases of the mind; -- it is to furnish that aliment to the intellectual system which will tend to preserve it in healthful operation." Such an approach required a an active role for charitable workers and officials to "visit frequently the families of those who are in indigent circumstances, to advise them with respect to their business, the education of their children, the economy of their houses, to administer encouragement or admonition."[100] Social reformers were particularly quick to intervene if they determined that there was a contravening "corrupting" influence. Patrick Colquhoun, in a letter to Thomas Eddy, went as far as to suggest that "benevolent characters" needed to fill the role of "a vigilant and active preventive police."[101]

American social reformers did not see their intrusions into the lives of working people as violations of personal freedom but in fact as essential props to a free society. As John Griscom explained, intervention in personal affairs was justified "for the promotion of public good, and the prevention of public evil."[102] When it came to the personal economy of working and poor people, social reformers repeatedly cast personal saving as a civic obligation and responsibility and often presented access to these institutions as a public right. The efforts of social reformers to promote saving among three groups of people – sailors and dockworkers, working-class children, and African Americans – illustrate exactly how savings institutions were woven into the daily lives of working people.

Sailors and dockworkers received particular attention from social reformers in

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[99] PSFS Pamphlet, March 3, 1817, reprinted in Willcox, 34.
[100] John Griscom, "Report on the Subject of Pauperism," in Society for the Prevention of Pauperism in New York, *First Annual Report*. (New York: J. Seymour, 1818), 18-19.
[101] Colquhoun to Eddy, February 16, 1803. reprinted in Knapp, 188.
[102] Griscom, 18-19.

antebellum America. As the shipping industry of the Northeast reached its peak in the first half of the nineteenth century, it created a growing workforce of seamen, teamsters, wagoners, dockers, stockmen, ropewalkers, and cartmen. Employment on ships and on docks was typically filled by unskilled men, many of whom were recent Irish immigrants. Work in the industry was dangerous, unstable, and very low status. Frequent incidents of injury or death often left seamen or their dependents reliant on relief and thus familiar to charity workers. Of even greater concern to public officials and social reformers, however, was the apparent fact that the districts adjacent to the docks in major port cities seemed to be rapidly growing into breeding grounds for vice, crime, and other social problems. The concentration of prostitution, dram shops, gambling dens, and over-priced boarding houses that catered to sailors and to dockworkers shocked social reformers and spawned a small industry of charitable organizations and churches that focused their efforts on seamen.[103]

One problem that these charitable organizations quickly identified was the apparently wanton financial habits of seamen. Charity workers cast them as victims of nefarious saloonkeepers, prostitutes, moneylenders, and lodging house landlords, who were quickly swindled them of their wages. "Seamen are often induced to part with the avails of a long voyage and are even filched of the advance wages of a new voyage and then sometimes confined within the narrow limits of a gaol, before they have been on shore a week," claimed one social worker.[104] William Bayard, the first president of the Bank for Savings in New York, explained in the organization's annual report that sailors were "improvident, not so much perhaps from a love of waste, as from a total ignorance of how to dispose of their money. Having no one to direct them, the wages which they have earned amidst storms and tempests they scatter on shore without reflection."[105] As a result, when injured or killed in their dangerous line of work they or their dependents were thrown on charity for their subsistence.

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[103] Thomas Heinrich, *Ships for the Seven Seas.* (Baltimore: Johns Hopkins University Press, 1997)11-14 discusses the developed of the industry in the first half of the nineteenth century. Marcus Rediker, *Between the Devil and the Deep Blue Sea* (New York: Cambridge University Press, 1987), 64-73 discusses the port experiences of seamen in the eighteenth century. On the concentration of prostitution, saloons, and vice in port areas, see Timothy Gilfoyle, *City of Eros* (New York: WW Norton and Company, 1992), 49-51. Gilfoyle writes, "Serving the migratory population of sailors and travelers, Water Street was a center of prostitution longer than any other part of New York.

[104] "Announcement of the Opening of the Savings Bank for Seamen," May 1, 1833, reprinted in *One Hundred Years of the Suffolk Savings Bank* (Boston: Walton Advertising and Printing Co, 1933), 7.

[105] *First Report of the Bank for Savings in the City of New York* (New York: Clayton & Kingsland, 1820).

Benefit societies and savings banks thus made particular attempts to encourage seamen to save in an effort to protect them from the demoralizing effects of prostitution, drinking, and gambling. Marine societies that aided seamen in need were in fact some of the earliest benefit societies established in America. Several societies were in operation by the turn of the century and operated on a combination of dues from seamen and charitable contributions.[106] Soon after they were established, the Bank for Savings in New York and the Provident Institution in Boston also made specific attempts to encourage seamen to save. In their first announcement to the public, the Provident Institution in Boston explained that "this plan will be particularly useful to seamen bound on a voyage" while the Bank for Savings reported that "a few [seamen] have found their way to our bank, and the trustees will do all in their power to increase the number." The Bank for Savings may also have enlisted ship captains to encourage their crews to use the Bank. "One seaman, in one of the regular traders for Liverpool, brought home with him in silver 360 dollars," noted Bank officials. "His captain directed him to the Bank for Savings."[107]

As the industry continued to grow into the 1830s, however, the financial habits of seamen and dockworkers apparently did not improve. Convinced of the need for more systematic efforts to reach them, charity officials began organizing and incorporating distinct savings banks for shipping industry workers. Designated "seamen's savings banks" were established in almost all the major port cities of New England and in New York by the middle of the century. The Savings Bank for Seamen in Boston provides a good illustration of the work of these institutions.

The Bank was organized in 1833 by a group of civic leaders who were already involved in aiding the seamen and dockworkers who toiled in Boston's thriving shipping industry. Many of them were members of the Boston Port Society, an organization aimed at the moral and personal elevation of seamen. Led by Pliny Cutler, a merchant, a member of several charitable organizations that served mariners, and a founder of the Society for the Religious and Moral Instruction of the Poor, the group successfully petitioned the Massachusetts legislature for a charter for a special bank for seamen, "capable of receiving from any persons who are Seamen, and from other connected with a sea-faring life, on

[106] Brown, 65; Wright, 31.
[107] Provident Institution, Untitled Broadside, reprinted in Whitehill, 19. *First Report of the Bank for Savings.*

deposit, all sums of money that may be offered for that purpose." A circular published on the day the Bank opened introduced its founders as "friends to Seamen" who, determined to protect "the morals of the community," had established this new savings bank to "offer an inducement to this useful and important class of men, to lay by their earnings for a rainy day."[108]

Seamen were carefully instructed on why it was important to save. The bank book that depositors received, emblazoned with a ship, an American eagle, and a banner with the words "Sailor's Rights," served as one instructional tool. "Have you a wife, child, parent or friend who is dependent on you for support and assistance?," it questioned. "Suppose that you are shipwrecked on the next voyage, will you lay by one, two, three or five hundred dollars, on interest in the Savings Bank, and thus make them comfortable when you are gone; or will you, for the sport of a moment, leave them destitute?" Bank officials explained to seamen why and how depositing their wages would protect them. While in port, they pointed out, seamen "through the misfortune of those with whom they leave their money, and the frauds of others who thrive by their extravagance and misjudged generosity, are frequently stripped of all their hard earnings and left (sometimes with wives and children) the objects of charity."[109]

Bank officials also made special efforts to enroll seamen before they could spend their money. Since sailors were paid in a lump sum after a voyage, clerks from the bank occasionally met ships as they docked and encouraged crewmembers to open savings account before they frittered away their wages. The savings bank also maintained close ties with the other social agencies that served seamen, often attempting to coordinate their efforts. Overlapping trusteeships between the Savings Bank for Seamen and the Mariners' House, the Seamen's Aid Society, the Boston Port Society, and the Sailor's Snug Harbor helped coordinate efforts. The Savings Bank's trustees, for example, were actively involved with a host of issues affecting seamen, such as attempts to regulate the boarding houses in the city.[110]

However, even the extensive efforts of the Savings Bank for Seamen in Boston met with little success in encouraging sailors and dockworkers to save. By 1842, the Bank had to

[108] *One Hundred Years of the Suffolk Savings Bank*, 2, 7.
[109] *Ibid*, 11, 26.
[110] *Ibid*, 32-41.

open up its services to the public in general in order to survive and successfully petitioned the state legislature to change its name to the Suffolk Savings Bank for Seamen and Others. In a letter to the president and manager of the Bank in 1848, the treasurer reported that continued efforts to encourage thrift among seamen had "met with no better success, and that the particular class whose temptations and privations so deeply interested their feelings, could not be persuaded to avail themselves of the privileges offered in a Bank designed for their especial benefit." Confidence in the ability of seamen to be reformed waned as the treasurer wondered "How many wives and mothers and sisters have lost an early prop, by the hazards and hardships of ocean life, and have been thrown penniless upon the charities of the world, who might else have been rendered comfortable and happy, if honest earnings, filched or squandered, had been deposited in the Savings Bank!"[111]

As their hope for the adult poor ebbed, social reformers turned with increasing attention to children. Because the characters of children were considered to be still malleable, reformers believed that encouraging habits of regular saving and individual economic discipline was essential if they were to avoid the moral and personal mistakes of their parents. Providing children and adolescents with instruction in thrift and opportunities for saving therefore was particularly zealous.[112]

Initial efforts to encourage the use of savings institutions by minors were actually led by the savings banks themselves. In the 1810s and 1820s, they published instructional pamphlets for working people on how to use the institution. One such pamphlet explained that apprentices "who by over-work can earn from his master one dollar per week" could "by depositing his gains weekly with the society" save nearly three hundred dollars in five years, enough "to set him up in many branches of business."[113] Some savings banks, like the Provident Institution, tried additional methods to promote saving by young working people. Aware of the popularity of theatre among the young, the Provident Institution sponsored a morality play in 1823 called "Brothers, or Consequences," in which the lives and well-being of two poor siblings take very different courses, largely because one saves regularly in a savings institution and the other does not. The publication of the play was funded by the

[111] Samuel Walley Jr. to President and Managers of the Suffolk Savings Bank for Seamen and Others, April 11, 1848, reprinted in *Ibid*,30.
[112] Eric Schneider, *In the Web of Class* (New York: New York University Press, 1992); Joseph Kett, *Rites of Passage* (New York: Basic Books, 1977).
[113] PSFS Pamphlet, March 3, 1817, reprinted in Willcox, 38.

Provident Institution and included an advertisement for the savings bank.[114]

By the 1830s saving among working-class children was being promoted by other institutions, most notably Sunday schools. Sabbath schools were explicitly established to teach religion, but in fact instructed pupils on a broader set of moral lessons on temperance, industry, and thrift. A large number of short stories and tales published by antebellum tract societies and taught in Sunday schools gave savings institutions a central role in their narratives. In both *The Worth of a Penny* (American Sunday School Union) and *What is a Little Money Worth* (Boston Sunday School Society), the child protagonist learns to save but, interestingly, also to give to others in need. Other accounts, not only taught children and adolescents to save but also to use savings institutions. For example *The Carter Family*, published by the Boston Sunday School Society, recounts the lives of a poor but independent family in which the father "regularly saved the same money every week, and he and his wife agreed that the two dollars of what was saved in a year they would add to he money they always put into the Savings Bank." The storybook, along with countless other books such as the popular Sunday school writer Mary Maxwell's *The Penny Saved and the Penny Earned*, included tables showing how much one could accumulate at compound interest if one saved steadily.[115]

While this line of instruction sought to introduce rigorous economy and thrift into the character of working-class children, the efforts of social reformers beginning in the middle of the century was even more interventionist. Insisting that the nascent thrifty habits of poor children needed to be protected for the degrading influence and lax moral economy of their parents, reformers moved to establish separate accounts for minors as part of their education and uplift. The Boston Industrial Home, a social agency for the "Penitent Friendless and Unfortunate" combined "industrial schools for vagrant children, a penny savings bank, and an industrial intelligence office." The Penny Savings Bank it established was aimed at protecting and encouraging "those bright, shrewd, energetic, business-like boys, who improve their leisure hours in the sale of newspapers, books, confectionary,

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114 *The Brothers, or Consequences. A Story of What Happens Every Day. With an Account of Savings Banks*. (Boston: Hillard and Metcalf, 1823)

115 *The Worth of a Penny* (Philadelphia: American Sunday-School Union, 1854); *What is a Little Money Worth, Or Willie French's Account Book* (Boston: Massachusetts Sabbath School Society, 1860); *The Carter Family* (Boston: Gray and Bowen, general agents for the Boston Sunday School Society, 1832); Mary H Maxwell, *The Penny Saved and the Penny Earned* (Boston: Massachusetts Sabbath School Society, 1855).

matches, and other light articles." The small earnings of these children, contended the Industrial Home's founders were "often squandered by intemperate and improvident parents, or expended by themselves in demoralizing and debasing amusements, in early licentiousness, or in the unrestrained enjoyment of vicious and depraved companionship." To encourage thrift and protect their saving, the Home established a penny savings bank "managed by an association of wealthy and benevolent businessmen."[116]

The establishment of a Penny Savings Bank by the Industrial Home was part of a broader movement to establish savings institutions in which working-class youth could hold accounts separately from their parents. State legislatures in many of the northeastern states began allowing the incorporation of savings institutions that specifically granted minors the right to hold accounts separately from their parents for "educational" purposes. In 1853, for example, a group of Boston philanthropists organized the Boston Five Cents Saving Bank "to induce the young and the industrial classes to make a beginning to save by encouraging deposits as small as five cents." The charter of the new institution, like that of other penny, nickel, and dime savings banks, contained a special feature that provided that "[w]henever any deposits shall be made by any minor, the trustees of said corporation may, at their discretion, pay to such depositor such sum as may be due to him or her, *although no guardian shall have been appointed to such minor.*"[117]

With these institutional and legal changes, savings accounts for minors were slowly adopted by public schools in the second half of the nineteenth century as an integral part of the formal public curriculum. In school districts that offered the service, teachers collected small sums from pupils and made arrangements whereby they deposited the money in the student's name in a local savings bank. The system was both laborious and unprofitable for savings banks but was seen as an important part of their social purpose as well as a potential source of future depositors. The school savings bank system allowed teachers to combine lessons on thrift and economy with the *actual* practice of using a savings account, a line of instruction that became an essential part of the school curriculum in the northeast by the late nineteenth century.

To many teachers and educators, instruction in thrift and in how to use a savings

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[116] JRS VanVleet and FL Capen, *Plan of the Boston Industrial Home* (Boston: Stacyard Richardson, 1854), 3-4.

[117] *The Boston Five Cents Savings Bank. Fiftieth Anniversary of Incorporation.* (Boston: George H. Ellis Co, 1904), 12.

account was essential to the goals of public education. "As the object of the public school is to train children to citizenship, the practical lessons of thrift and economy, in conjunction with the regular school work, will help considerably to reach that end …and impart a sound economic and civic instruction to the individual," explained James Thiry, one of the most outspoken proponents of schools savings banks. "To keep them in ignorance of the lessons of thrift and economy is to deprive them of one of the most important parts of their education."[118] The obligations of economic citizenship thus served as the basis for the legitimacy of public instruction in personal economic discipline and the use of savings institutions.

This link to economic citizenship also drove the promotion of savings among free Blacks. In Philadelphia, Quaker reformers had long given particular attention to the social and moral uplift of the city's Blacks, especially by helping organize benefit societies in the free African-American community. They helped draft articles of incorporation and shepherded societies through the chartering process. Reformers also encouraged free Blacks to use savings banks; indeed, the first depositor at PSFS in 1816 was Curtis Roberts, an African-American servant to one of the savings bank's trustees.[119] Lectures and sermons directed at Blacks consistently included advice on personal finances. "Save your money," instructed one article in the Black newspaper *Freedom's Journal*, "and have it in a Savings bank, (the poor man's friend) and then you will always have a friend in need."[120] In a public meeting in New York, one "friend of the colored people" encouraged African Americans to make it a practice to save one half to one third of all their earnings.[121]

The particular intensity of these appeals grew out of the connection that social reformers made between the economic and moral uplift of free Blacks and the campaign for the abolition of slavery. Many saving bank founders, in fact, were actively involved in the abolitionist movement. Against growing pro-slavery arguments that contended that Blacks were incapable of economic independence and if freed would become a burden on the public, social reformers insisted that free Blacks could and did labor and save. In turn,

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118 James Thiry, *School Savings Banks in the United States: A Manual for Teachers.* (New York: The American Banker, 1890) 7, 10.

119 Michael Nash, "Research Note: Searching for Working-Class Philadelphia in the Records of the Philadelphia Saving Fund Society," *Journal of Social History* (Spring 1996).

120 "For the Freedom's Journal," *Freedom's Journal*, 3 August 1827; "Savings Bank," *The North Star*, 28 April 1848.

121 "Address," *The Colored American*, 26 September 1840.

concerned that examples of dependent and pauperized freedmen would support the legitimacy of the pro-slavery arguments, elite social reformers encouraged African-Americans to save and to create benefit societies with particular zeal.[122]

The success of benefit societies in free Black communities in the Northeast was one of the points most frequently used to counter pro-slavery arguments that African Americans were incapable of economic uplift. An often-cited survey conducted by the Pennsylvania Abolition Society in 1837 showed that "[t]he colored people in Philadelphia have fifty-five Beneficial Societies [in which the members] are bound by rules and regulations, which tend to promote industry and morality among them." It went on to point out that "not one of the members of [any] of these societies had ever been convicted in any of our courts." The widespread use of benefit societies by free Blacks, claimed abolitionists, had led to a lower rate of dependence on public relief. "[I]t appears that out of 549 out-door relieved during the year, only 22 were persons of color, being about four percent, of the whole number, while their ratio of the population of the city and suburbs, exceeds 8 ¼ per cent," explained the Philadelphia survey.[123]

Not to be outdone, free Blacks in New York insisted that they were "not behind our brethren of Philadelphia" and that the city's Black societies significantly reduced the "claim upon their county." When the governor of the state suggested that "any great improvement" in the economic conditions of Blacks seemed "impossible" and implied that if freed African Americans would be a heavy burden on the public purse, an editorial in the *Frederick Douglass Paper* in 1852 pointed out that Blacks received only one fiftieth of New York's relief expenditures even though they comprised one twenty-fifth of the population. Concluding that "the colored population of that city are … less burdensome than is the white population, to the poor fund," the editorial argued that "this happy state of things has arisen, in part, from the fact that [Blacks] have mutual benefit societies, with cash capital of $30,000, from which they take care for their sick and bury their dead."[124]

African-American abolitionists were, at times, ambivalent about echoing the insistent recommendation by white abolitionists that Blacks should save and accumulate as proof of

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122 Robert Harris, Jr, "Early Black Benevolent Societies, 1780-1830," *The Massachusetts Review*, 605-606; Gary Nash, *Forging Freedom* (Cambridge: Harvard University Press, 1988), 210-11.
123 "From Facts for the People A Montly Publication Issued in Philadelphia," *The Colored American*, 19 August 1837; Harris, 606.
124 "For the Colored American," *The Colored American*, 21 July 1838; "Address to the People of the State

their capability for freedom and citizenship. One editorial in *The Colored American* noted that on a suggestion from a white social reformer, "there are a great many [Blacks] who have, in a few of the past years, accumulated from one hundred to some thousand dollars…they had saved considerably, by placing it in the Savings Bank." Turning ironic, the author chided that they had "made great efforts – pulled every string – made vigorous exertions to gain the shining dust – in their visions by night and dreams by day they saw nothing but gold … They dried up the pure streams of philanthropy – they quenched the glowing flame of benevolence – closed their ears against the orphan's cry – and turned away from the widow's tear -- never feeling the claims of humanity – and taking no interest in the welfare of society." Yet, the editorial writer acknowledged that in the raging debate over whether Blacks could be "elevated," even miserly saving and accumulation was deemed a virtue. While insisting that "[n]one can understand me as wishing others to go to this extreme [in saving and hoarding] – but such persons will have an influence among kindred minds. They will be by them, considered elevated." For many freedmen in antebellum America, saving had become inextricable from their claim to freedom, the appeals to them to save shot through with the question of their readiness for economic citizenship.[125]

This connection became even more explicit and intense following Emancipation. Well before the difficult and divisive questions of labor market relations and land reform surfaced, abolitionists, legislators, and northern leaders agreed that a savings bank for freedmen was a necessary institution for a reconstructed society in which Blacks were free. Even as the War raged, Union generals established provisional savings banks for Black soldiers and for "contrabands" in areas held by the Northern army. Not satisfied with this solution, a group of New York philanthropists led by the abolitionist and educator John Alvord enlisted Charles Sumner to sponsor a bill in Congress for a national Freedmen's Savings Bank. "Pauperism can be brought to a close; the freedmen made self-supporting and prosperous, paying for their educational and Christian institutions, and helping to bear the burdens of government," envisioned Alvord. "That which savings banks have done for the working men of the north it is presumed they are capable of doing for these laborers." Following the war, Alvord and his colleagues established the Freedmen's Savings Bank, based in Washington DC but managed by white "benevolent individuals" in New York. The

of New York," *Frederick Douglass Paper,* 5 February 1852.
[125] "Address," *The Colored American*, 26 September 1840.

bank set up many braches, mostly in the South but also in New York, Philadelphia, and Baltimore.[126]

The efforts made by antebellum abolitionists to encourage free Blacks to save paled in comparison to those of the Freedmen's Savings Bank officials. One observer noted that the Bank distributed "tracts and papers…on temperance, frugality, economy, chastity, the virtues of thrift & savings; explaining how daily savings in small sums at interest will accumulate & the duty of men to provide for their families." In each city, bank officials enlisted clergymen and school teachers to form an advisory committee to get the message about the Freedmen's Savings Bank out. In New York, the dynamic abolitionist Henry H. Garnet voluntarily lectured at Black churches, telling the parishioners that it was their duty to save at the Freedmen's Savings Bank. The Bank hired agents to spread the word and sponsored public meetings in which they enrolled new depositors. It worked closely with the Freedmen's Bureau and its popular commissioner Major General O. O. Howard, who considered the Bank "to be greatly needed by the Colored People, and have welcomed it as an auxiliary to the Freedmen's Bureau."[127]

The message that was delivered to freedmen in these efforts was clear: saving was one of the rights and responsibilities of economic citizenship. The Rule Book that new depositors received, contained a "Message to the Colored People" that explained the economic opportunities and responsibilities of freedom. "If you work hard you will earn money the same as other folks. Not one of you need remain poor if you are careful and do not spend money for candy, or whiskey, or costly clothes," it explained. Calculating the cost of a cheap cigar and a glass of whiskey at 10 cents, the booklet instructed that if the depositor denied himself these each day he would have $31.12 at the end of a year. "Now, what will you do with it? Will you put it away in an old stocking, or hide it in a crack in the floor, where bad folks may steal it, or the mice eat it up?" inquired the booklet. "Instead, then, of hiding your savings in a napkin put it in a bank, where it will be making money for you. You will get, we will say, six per cent interest for it." After saving this way each year for a decade, the depositor would have $411.13, continued bank officials. If this money was spent on whiskey and cigars, "you would have become a drunkard….Your family would be

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[126] Carl Osthaus, *Freedmen, Philanthropy, and Fraud: A History of the Freedmen's Savings Bank* (Urbana: University of Illinois Press, 1976), 9, Chapter 1.
[127] *Ibid*.,44-46, 49; *Rules and Regulations for Advisory Committees, Depositors, Cashiers, Inspectors, Field Agents, and Actuary of the Freedmen's Savings Bank and Trust Company*. (Washington: 1867)

ragged; your wife miserable, and perhaps heart-broken; your children growing up in vice, with no chance to learn to read or write." But, if saved, "[m]en will point you out and say – 'There's a sober, hard-working, honest man, with money ahead; you can trust him.' So too, will your wife respect you and grow up willing and obedient." This was how to "become the good citizen…Thus good people live. Thus whole nations grow great."[128]

Conclusion

Perhaps exemplified most clearly by the experience of African Americans, the links forged between saving and citizenship permeated American society by the middle of the nineteenth century. Through an interwoven set of ideas, institutions, and social practices, leading social philanthropists and thinkers constructed saving and economic independence as a *civic* as well as a personal obligation. In going so, they also began to tangibly open up access to financial institutions as a civic and public right. Within the course of half a century ordinary Americans had gained a set of institutions and laws that allowed them to use savings institutions as part of their household economic strategies, a new and important development.

However, in the process, it also created a deep, intentional and novel distinction in American social practice. For those who could not or did not save, the rise of savings institutions and the corresponding changes in social practice effectively constituted an attack on public and moral rights to relief. The intellectual foundations and institutional structure of savings in the United States were intentionally directed at undermining the legitimacy of dependence. By weaving the newly established financial institutions into the social fabric of working class life, philanthropists, charity workers, abolitionists, and religious leaders helped create a distinction between saving and dependence, between benefits and charity.

For those who could and did save, the development of savings institutions represented a tangible expansion of economic rights. At the levels of theory, laws, social practices and institutions, ordinary Americans had gained a right to access financial institutions by the mid-nineteenth century, a right that had not existed fifty years earlier. And when the safety of this system was threatened by speculation and market volatility, as the next chapter shows, the state actively stepped in to guarantee its stability as a public good.

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[128] Freedmen's Savings Bank, *Charter and Bylaws* (Washington, DC: M'Gill & Witherow, 1867), 7-10.