NEW YORK SAVINGS BANKS IN THE ANTEBELLUM YEARS

Throughout the pre-Civil War era mutual savings banks were important and influential members of the financial community. In 1860, when mutuals held a total of $150,000,000 in assets, the next most important type of non-bank financial intermediary, life insurance companies, held assets of only $24,000,000. Perhaps more impressive was the size of some of the individual banks; according to Lance Davis, nine of the ten largest business organizations in the country in 1860 were mutual savings banks.

Given the size and importance of mutuals there has been a paucity of investigation into their history. The only notable work is that by Lance Davis and Peter Payne on the Savings Bank of Baltimore, a relatively small and isolated institution. During the antebellum years, as is still the case today, the largest and most dynamic savings banks were located in New York City. For example, one New York mutual--The Bank for Savings in the City of New York--held more deposits at the end of its first year of business than the Baltimore bank held after eleven years. After six years of operation, in 1825, this one bank could claim 56 percent of the nation's savings bank deposits; and ten years later, in 1835, it still accounted for over 34 percent of the country's deposits and 42 percent of its customers. About this time, in 1835, the size of the Bank for Savings, measured by total assets and the number of depositors, was approximately equal to the combined size of all twenty-seven savings banks in Massachusetts.

The Bank for Savings was the nation's largest mutual until 1860 when it was surpassed by a rival New York institution--the Bowery Savings Bank. At that time each of these banks commanded deposits in excess of $10,000,000 and a third New York mutual, the Seamens Bank for Savings, was approaching that mark.

My dissertation, which is based on the private records of eight of New York's oldest mutuals, will follow the same general outline set forth by Payne and Davis. A few of the areas to be examined are the changing nature of the banks as they grew in size, the nature of the banks' depositors, and the banks' impact on the capital market.

One of my main interests is the manner in which savings banks aided in the accumulation and allocation of capital. There are really two questions here. First, how did the banks invest their depositors' money, and did they invest in a more or less desirable manner from the point of view of economic development than other institutions? If their investments were less productive, the contribution of mutuals still could have been positive if the funds they invested would not otherwise have gone into productive uses. This brings us to the second question--to what extent did the introduction of mutuals lead to an increase in the total amount of capital available to the economy?

It has generally been assumed that a very substantial proportion of the funds invested by savings banks represented a net addition to the economy's supply of capital. This hypothesis rests on and is implicit in the belief that savings bank depositors were almost exclusively thrifty working people who prior to the advent of mutuals had no other investment opportunities. The emergence of mutuals, so the argument goes, allowed these people to transfer savings, which they previously had hoarded, into productive activities; and also stimulated them to increase their savings ratios by offering the combined incentives of interest and security. But the greater the percentage of the banks' depositors who were wealthier individuals with a wider set of investment opportunities open to them, the lower the percentage of the banks' holdings that can be viewed as additions to total savings. To have some idea of the importance of mutuals in accumulating capital, one needs an accurate description of mutual customers.

The general hypothesis found in almost all the literature on this subject is that the depositors were at first "indigent poor," but soon the customers came more and more from the class of "industrious and thrifty laborers." Other terms such as "frugal poor," "provident poor," and even "paupers" also have been used to describe the banks' clientele. These descriptions are not only vague, but they also are very misleading. What we really need to know is: first, what was the socioeconomic breakdown of the depositors (for example, what percent of mutual customers were domestic servants, what percent were professional people, and what percent were children?) and secondly, how were the deposits distributed among these different classes?

I asked these questions about the depositors of the Bank for Savings in the City of New York and found that in the first few years after its opening in 1819, the majority of the Bank's customers were from society's middle and upper classes, while only about one-fourth were unskilled workers. By far the largest group was children who accounted for 37 percent of the Bank's depositors in 1819. The Bank's records indicate that these minors were generally the sons and daughters of upper and middle class parents who presumably were giving their children practical instruction in the virtues of thriftiness.

Over a ten-year period there was a reversal in the composition of depositors. The change resulted from an increase in the proportion of unskilled and skilled workers and a decrease in the proportion of children among the Bank's new depositors. After the middle of the 1830s a rough estimate of the Bank's customers would be that about 40 to 45 percent were unskilled laborers, another 35 percent were skilled tradesmen or craftsmen and the remaining 20 to 25 percent were children, nonworking women, professionals and merchants. The major component of the unskilled laborers classification was domestic servants. In 1819 domestics comprised about 11 percent of the Bank's depositors and by the 1830s they probably accounted for over one-fourth of the depositors. The evidence suggests that although a majority of the Bank's depositors were working people, there were also many customers who did not fit that description.

By looking at the very large and very small accounts we can arrive at an answer to our second question, that is, how were the deposits distributed among the different groups? In December of 1824 there were 330 customers with balances exceeding \$500, which when summed represented about \$366,000. This meant that over 27 percent of the Bank's funds were owned by about 3.5 percent of its customers.

A detailed check of the occupations of these 330 customers reveals that very few were from the ranks of the unskilled workers. About 4 percent were domestics, 9 percent unskilled laborers (including domestics), and 28 percent skilled laborers and tradesmen. Adding the above indicates that about 37 percent of these large accounts belonged to people who listed their occupations as some sort of workingman. The remaining 63 percent of these large accounts were owned by children (10 percent) of middle and upper class families, females who were widows or the wives of fairly substantial citizens (19 percent), and professionals and merchants (33 percent). From a slightly different perspective, these figures indicate that, of the Bank's customers who were domestics or unskilled laborers, about one in a hundred was among the privileged 330, while almost one out of ten of the professional merchant class was in this group.

At the other end of the scale were a vast number of small accounts. In 1858 the Bank recorded 7,363 dormant accounts which averaged about \$1.00 each. That means that 14 percent of the Bank's depositors held less than 0.9 percent of the amount due depositors. A sample of 200 taken randomly from this group yielded 130 unskilled laborers, 41 children, and a remainder of 39 divided among several other groups. These results should not be surprising given the difference in wealth and income associated with the various occupational classes.

Another set of data corroborates the impression one receives from the above. The Bank's annual reports included a breakdown, by size, of all the deposits made during any given year. These reports show that from 1819 to 1847 the bottom 50 percent of the deposits made accounted for about 10 percent of the amount received; whereas, the top 10 percent of the deposits accounted for about 45 percent of the amount received. In most years deposits of $100 or more accounted for at least 50 percent of the Bank's receipts.

The general nature of these findings for the Bank for Savings probably applies to most mutuals, for its trustees were at least as forceful as those of most other mutuals in restricting the Bank's clientele. This can be seen by comparing the average balance in the Bank for Savings with the average in other banks. In almost every year the average account in the Bank for Savings was at least $25 below the national average, and it was generally $50 to $100 below that for the Baltimore bank and the other New York City banks. This suggests that these banks also had a large number of upper and middle class customers with an even greater disparity in the size of deposits.

The findings presented above suggest that a substantial proportion of savings bank depositors, holding claim to a disproportionately large percentage of the banks' funds, were not the frugal laborers, for whom the banks were intended, but people who could have invested elsewhere if the banks had not existed.

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