Extension of British Pawnbroking Laws. [December,
it. Besides the benefit it would confer on the poor of Dublin in
relieving them of about £19,000 a year burden, arising from tax-
atation, it would relieve the county authorities from the dilemma of
either reviving the obsolete monopoly of appraisers, or leaving the
poor who pawn without the protection provided for the similar class
in England and Scotland under the Act of 1872, and intended to be
provided by the Irish Parliament in 1786.

It would also relieve the executive government from making
appointments of auctioneers with an intimation that the system was
so condemned that the officer must take his office subject to such
changes as Parliament should introduce.

The monopoly of the other pawnbrokers' auctioneers in Dublin
would also be terminated, and with them the doubtful arrangements
by which the emoluments of the deputy and principal have been
limited, and a local sanction given to the injurious system of dis-
charging the duty of public officers by deputy.

It would, lastly, carry out the spirit, though not, as already shown,
the letter of the report of the select committee of the laws of pawn-
broking of 1871, which recommend "that there should be a general
law for the United Kingdom for the regulation of the trade of
pawnbroking."

From the returns made by Dublin charities during the past Win-
ter, it appeared that the object of some of them was to lend money
to the poor, and some of those who have written on charities in
England, recommend such loans as one of the truest charities in
cases of sudden and unforeseen distress.

The statistics of the charities, however, disclose that what indivi-
duals and even considerable societies can do in this way is after all
extremely limited. It follows therefore, that the improvement of
the laws that affect the trade of lending money to the poor according
to the latest and best model, is calculated to have a much larger effect
in relieving cases of sudden and urgent distress; and is a reform
which falls within the class of social and legal reforms which have
been so much promoted by this Society.

VII.—Savings Banks as a State function developed by Charity
Organisation. By W. Neilson Hancock, LL.D.

[Read in the Section of Economic Science and Statistics, British Association,
at Glasgow, September, 1876.]*

It is commonly recognised that one of the most valuable institutions
for encouraging prudence and self-denial amongst the poor is the
system of Post Office Savings Banks, with its numerous offices open
on every week-day for so many hours. The Post Office Savings
Banks not only encourage the people in prudence and economy, but
they are calculated to convey the soundest views as to the true prin-
ciples of investment—a matter of the greatest importance at the pre-
sent time.

* This paper is printed at the cost of the author.
The savings of the poor are wanted for the most urgent of human needs, to meet the vicissitudes of human life—sickness, want of employment, and old age. The fundamental principle of such investments, is that the security of the depositor should be the most perfect possible. The first rule of investment is that the maximum of security can only be attained by submitting to the minimum of interest; accordingly, the rate of interest in Post Office Savings Banks has been fixed at 2½ per cent.

This great state institution of modern civilization had its origin in an early effort at charity organisation, begun shortly after the commencement of the present century. Up to 1817, the only savings banks in existence were purely charitable institutions. In 1817, the legislature began to take a part in the control of these institutions, and hence arose the half charitable, half state institutions which occupied this field of human work from 1817 till 1861. Since 1861, these half charitable savings banks are being gradually superseded by the savings banks entirely under state control, and with complete state security. As the success of Post Office Savings Banks has been completely established, the question arises, what is now the duty of the charitable promoters, and of the state towards these half charitable half state institutions of transition, which, having led to the establishment of Post Office Savings' Banks, have completed their sphere of usefulness.

For the solution of this question a most elaborate and interesting return was moved for in the House of Commons, in 1874, by Mr. Laird, and presented to Parliament at the close of that year (Par. Paper, 1874, No. 251); and I propose to present to the Section some conclusions which this return has enabled me to arrive at. In the first place it is obvious that the original motive which led to the establishment of charitable savings banks—the providing a safe place for the savings of the poor—no longer exists, as that is now perfectly provided for by the state. It is an utter waste of charitable activity to endeavour to provide institutions to meet a want which the whole course of legislation shows has been much better and more completely provided for by Post Office Savings Banks. Again, it is unwise for the state to be connected with institutions over which it has only a partial control, when it has established other institutions for the same object over which it has complete control. Whilst the state, by the modern and perfect constitution of Post Office Savings Banks, is teaching the poor the most correct principles as to investments, it is most unwise to be incurring an expense of nearly a quarter of a million each year for maintaining institutions on a condemned principle, and to offer a bounty to the poor to put their money in institutions, which the history of the failures which have occurred demonstrates as far less secure for the depositors than the Post Office Savings Banks. After such failures, and with the law as to the liability of the promoters unaltered, the charitable trustees and the state are, by tempting the poor to run a considerable risk for sake of a trifling increase of interest, contradicting all the good lessons as to investments which the Post Office Savings Banks are calculated to convey, and teach the people in a way that leaves them...
Savings Banks, [December,

exposed to every speculative promoter of a bubble loan or bubble company.

It would appear from the return to which I have referred, that in 1861 there were 653 half state half charitable savings banks, and that since that time upwards of one-fourth (172) have been closed, and the deposits to a greater or lesser extent transferred to Post Office Savings Banks. The rate at which this transfer has taken place is shown in the following table, giving the year in which notice of closing was given, and the number of savings banks that have been, under the provisions of Act 26 Vic. c. 14, or otherwise, closed, and transferred their funds, or any part thereof, to the Post Office Savings Banks.

<table>
<thead>
<tr>
<th>Year</th>
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<tbody>
<tr>
<td>1861</td>
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<td>1862</td>
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<td>1873</td>
<td>3</td>
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<tr>
<td>Year not specified, as to notice of closing</td>
<td>3</td>
</tr>
</tbody>
</table>

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It appears from this table that the rate of closing is diminishing and not increasing in numbers. It further appears that the banks closed were not those that had the largest amount of business; for the 481 banks still in operation had £40,525,851 in depositors‘ balance, whilst the 172 banks that closed had only £3,994,982, or one-eleventh of the aggregate of the two, instead of one-fourth. When the reasons for the Post Office Savings Banks superseding the others are so obvious, there must be some cause for the slow progress of the change that has taken place. Some other figures in the return, disclose very plainly what that cause is. In the so called charitable savings banks, besides the trustees and managers, whom I have included under the name of promoters, and the 495 unpaid officers, chiefly treasurers, there are 1,573 paid officers, from 1 to 35 in number, or 4 in number on an average, having annual salaries in the aggregate amounting to £107,315 a-year. Here a very large and legitimate vested interest has grown up, and charitable promoters, and honorary treasurers and other officers, who have given their time for nothing, do not like to leave the paid clerks they have so long employed unprovided for. Accordingly, in the case of the 140 English banks that have been closed, £30,279 has been awarded to the officers as compensation, under the provisions of 26 Vic. c. 14. In Ireland, for 14 banks, only £683 has been awarded; in Wales, in 11 banks, only £400 was awarded; and in Scotland, for 7 banks closed
there was no compensation awarded. The effect of this very marked difference appears in the relative proportion in the amount of deposits in the banks that have closed in the respective countries.

In Scotland, 7 banks that closed had only £24,000 of deposits, as compared with the £4,637,400 in the 52 still in operation; or about ½ per cent. of the total. In Wales, the deposits in the 11 banks that closed amounted to £74,000, as compared with £1,214,000 in the 22 banks still open; or between 5 and 6 per cent. of the total. In Ireland, the deposits in the 14 banks which closed amounted to £138,000, as compared with £2,124,000 in the 41 banks still open; or 6 per cent. of the total. In England, the deposits in the 140 banks that closed reached £3,759,000, as compared with £33,323,000 in the 364 banks still open; or upwards of 10 per cent.

We have next to consider what are the funds applicable to compensation in case of further closing of the banks. The return shows a marked difference between the different countries in the proportion of surplus funds to annual salaries. In England, the aggregate surplus funds amount to £334,000, and the annual salaries to only £84,000; so there is enough if all were thrown into a common fund to give four years' compensation to the officers; in Wales, there is a similar proportion; but in Ireland, the surplus funds of £7,555 would give little more than one year's pay (£7,069). In Scotland, the surplus is only £2,463, as compared with annual salaries of £12,793, so the compensations would not reach a quarter's salary. The difficulty in the way of compensation, however, is even greater than these figures show. The £2,462 belongs to only 8 Scotch banks out of 52, and to 40 officers out of 189, leaving 44 banks and 149 officers, with salaries of £9,674, and with deposits amounting to £3,512,446, with practically no provision for compensation under the existing law. The largest institution in this position is the Savings Bank of Glasgow, with 35 paid officers, having salaries of £5,336 a-year, and £2,033,793 deposit, without any separate surplus in the hands of the Commissioners for the Reduction of National Debt.

In Ireland, there are 12 banks, with 42 paid officers, with salaries of £2,447 a-year, and holding deposits amounting to £664,019, without any surplus funds in the hands of the Commissioners. One is the Dublin Bank, the largest Irish office, with 9 paid officers, with salaries amounting to £1,495, and deposits amounting to £328,497. In England and Wales there are 80 banks, with 252 officers, with salaries of £15,261 a-year, and holding deposits of £5,181,000, with no surplus funds in the hands of the Commissioners. From these facts it is plain that the cessation of the state connection with charitable savings banks is likely to be very slow work. The charitable promoters and honorary officers will feel bound to their staff to keep them on as long as they can, especially in those numerous cases in which it appears there are no funds to compensate the officers. These, however, are the very banks which it is not the interest of the state to be so closely identified with, as where there is no surplus the risk of failure is necessarily greater than where there is a substantial surplus to meet any loss.
As the connection of the State with charitable savings banks is likely to be so slowly dissolved on the present plan, the next question to be considered is what it costs. At the time the rate of interest in charitable savings banks was fixed, the 3½ per cent. Funds were in existence, and such was the minimum rate at which Government could borrow. The gradual growth of capital, and general fall in interest, led to the 3½ per cent. Funds being reduced to 3½, and ultimately to 3 per cent. This change was not, however, applied to the investments of saving bank deposits.

In the case of the banks that have closed, of the £4,000,000 deposits, 62 per cent. were transferred to the Post Office Savings Banks, and on these there has been a saving to the state of £12,400 a-year. On the 38 per cent. transferred to other securities, there has been a saving of £3,800 a-year, making in all £16,200 a-year. If the existing charitable savings banks were closed, it may be estimated that at least the same proportion of deposits would be transferred to Post Office Savings Banks, and if so, the saving to the state would be £162,000 a-year. If the time of transfer were well selected, when, for instance, as at present, the rate of interest on bank deposits was only 1 per cent, the percentage of transfer to the Post Office Savings Banks would be still larger than 62 per cent., and so the economy to the state in interest alone would exceed £162,000. There is, however, a further element of economy. The existing savings' banks cost in salaries £107,313, and in other expenses £32,492, or £139,807. Now, where the state has incurred the expense of a complete set of Money Order Offices and Post Office Savings Banks, it may be fairly estimated, making every allowance for the unpaid officers of charitable savings' banks, that the work could now be done by the Post Office for half the salaries now paid to paid officers, and without any further cost, or for £64,000. Thus the saving to the state of giving up its connection with charitable savings banks would be £248,000, or as nearly as possible a quarter of a million of money, a-year. Now, the whole of the salaries of all the paid officers is only £107,315 a-year, so that the state could afford to pension off every officer of a charitable savings bank at full pay for his life, and by doing so the state would immediately save £140,000.

The cost to the state for compensations to the officers would, however, be much less than this. First: There is the £316,056 belonging to the separate savings banks to be applied in compensating the officers. Second: There is the value of savings bank buildings, not included in the return, applicable to the same object. Third: It would be recognised as in accordance with the provisions of the General Superannuation Act, that compensation to officers over sixty-five years of age should be only two-thirds, and that those who had served less than ten years should only get lump sums, and not pensions for life, and that those who got full pensions should be liable to discharge public duties for them until the age of sixty-five. All these causes would have a very considerable effect in reducing the cost to the state of compensation. It is right to observe that the claims of the officers of charitable savings banks to the fullest
compensation is a very exceptional and very strong one. The charitable promoters and the honorary officers have all given their time and their risk of loss to these institutions gratuitously; they have done a great service to mankind in laying the foundation of the great state function of protection of the savings of the poor and the industrial classes. The feelings of such honorary promoters and officers have a right to be considered; and the clerks they have employed in this great public duty should not be injured by the state entering into competition with the half charitable savings bank, as it has done by the starting of Post Office Savings Banks. Again, the claims of the paid officers have naturally stood in the way of the reduction of interest, like three and a-half per cent. stocks, for the same reason.

If the officers of savings banks were dealt with in the spirit I have indicated that they are entitled to, it would still cost less than I have indicated. If the state appointed temporary auditors it would be possible, as soon as each bank were audited, to take over the whole business at once, and to take over the officers and buildings with it. If this were done, the people would not be disturbed from the banks they had been accustomed to deposit in, and the portion of deposits withdrawn, consequent on the transfer would be far less than 38 per cent.

The state by dealing in this way with the charitable savings banks would save \( \frac{1}{2} \) per cent. only on the 38 per cent. of the £4,000,000 of deposits, or a large part of £38,000 a-year.

If the state took charge of the charitable banks as fast as they were audited, they could be kept open in the existing buildings, and with the existing staff of officers in each case as long as was thought desirable, superintended by Post Office officials instead of by the charitable promoters and honorary officers. The transfer of accounts of such of the depositors as lived farthest from the charitable banks to the nearest Post Office Savings Bank could be gradually carried out, the existing staff could be gradually pensioned off, and as the buildings came to be no longer required, they could be sold, or devoted to some suitable public purpose. If all these steps were taken, within one year or two at furthest, every depositor in a savings bank would have the absolute security of the state for his deposit. Every officer of the existing savings banks would be taken into the service of the state, or compensated if not required. The charitable promoters and honorary officers would be relieved from liability, and freed to devote their time to other charitable work. The state would be relieved from taking part in institutions over which it has only a divided control, and would be relieved from the risk of the odium of having to deny responsibility, in case of the frauds of clerks and officers, in institutions advertised to the public as having national security, implying complete security, when they have only partial security from the nation. The runs on charitable savings' banks, consequent on a failure occurring, as they have frequently done, and are most likely to do, during some financial or political crisis, have been one of the principal causes, of a source of the loss the state has incurred in connection with these institutions which has not yet been referred to. Savings are generally made to the largest extent in good times, when money is scarce.
and the price of the Funds lower. This source of loss, so far as it arises from runs on the banks, will be entirely checked by the transfer to the Post Office Savings Banks. So far as it arises from the ordinary withdrawal in-pressure exceeding the ordinary investment in prosperity, it will be checked by the improvement in the management of investments, on account of the Post Office Savings Banks, in connection with the plan for reducing the National Debt, and by improved facilities for converting the larger deposits into shares of the Funds. Towards making up the loss that has been incurred, a saving commencing at £140,000 a-year, and increasing to something like £280,000 a-year, on a plan proposed, attended as it is with no further loss from the same source, makes it feasible for a statesman to undertake the plan of immediate and complete conversion and fusion of the half-charitable and half-state savings banks into the complete state institution of Post Office Savings Banks.

In conclusion, I will briefly sum up the results which I would submit to the Section.

That now that perfectly safe places for the savings of the poor are provided by the State in such numbers, and for such long hours, and under such convenient arrangements by the Post Office Savings Banks, the object for which charitable savings banks were established has been fulfilled, and these institutions have become unnecessary, and are a waste of charitable effort.

That the state should withdraw its connection with them, as the state has only imperfect and divided control, as the limitation of liability of the charitable promoters makes the security imperfect, and as it is bad teaching for the poor to offer them a bounty at the public expense, to invest their savings in less perfect security than the Post Office Savings Banks.

That the voluntary closing of charitable savings banks is going on too slowly owing to the too limited provision for the compensation of the paid officers.

That the state would save £140,000 a-year immediately, and as the paid officers died or retired, would save £280,000, if the system of temporary official audit were adopted, and all the trustee-banks and paid officers connected therewith, as soon as the audit was completed, were taken over by the state.

That the services of the charitable promoters and honorary officers in instituting the general system of savings banks for the poor, which the State has been so long connected with, and the great profit to the state of immediate and complete conversion of charitable savings banks into Post Office Savings Banks, makes it a case where complete security of service or compensation to the officers would not only be morally just, but economically advantageous to the state.