

option of contracting to pay the annual charge instead of the present value. In this way, the creditors would obtain all that they would be entitled to get, and yet the remainder-man would not have to pay more than the fair value of what he would acquire by being called to the inheritance.

II.—*On the present state of the Savings' Bank question.*—By Neilson Hancock, LL.D.

[Read 19th February, 1855.]

GENTLEMEN,

About three years since, I had the honor of reading before this society a paper on the duties of the public with respect to charitable savings' banks.* Since that time there have been promises of legislation, but nothing has been actually done to remove the general insecurity of the depositors to which I then directed attention. On the contrary, the recent statements of Mr. Gladstone, while Chancellor of the Exchequer, have disclosed some facts which will, I think, be as new to you as they were to me, and which place that insecurity in a still stronger point of view.

In order to explain the effects of the statements which I am about to notice, it will be necessary to refer briefly to the constitution of charitable savings' banks, as regulated by the act of 1829 and its amendments.

A savings' bank is formed by a few gentlemen associating together, under the name of managers or trustees, and adopting some very simple rules, which at once receive official sanction.

The managers then are authorized to appoint the clerks. They can receive deposits, and they have some very important privileges of re-paying deposits to minors, married women, and the next of kin of deceased depositors, without any risk of having the money reclaimed by guardians, husbands, or by relatives with conflicting claims. The whole of the receipt and re-payment of the deposits is under the control of the managers and their clerks.

With respect to the lending of the deposits, the managers have no power. They are bound to transmit them to the commissioners for the reduction of the national debt—a board composed of high officers of state—the Speaker of the House of Commons, the Chancellor of the Exchequer, the Master of the Rolls, the Chief Baron of the Exchequer, the Accountant-General of the Court of Chancery, the Governor and the Deputy-Governor of the Bank of England.

The commissioners have the management of the deposits; and it is with respect to this management that Mr. Gladstone has made the important disclosures which I shall notice.

The commissioners have a certain amount of control over the managers; they can require an annual account from them, issue

* Transactions of the Dublin Statistical Society, vol. 3.

orders to them, and stop any bank that does not obey orders and furnish accounts.

The commissioners are not, however, in any way responsible for the acts of the managers or the clerks; and they, or more properly speaking the public, whose servants they are, are considered liable for those sums only which are actually transmitted to them by the managers. The notion, therefore, that the depositors have government security for money lodged in a savings' bank, though taught in many treatises great and small, is a delusion.

The depositors have not even the security which exists in the case of joint stock banks or private banks. In such institutions, the managers and shareholders are liable for the acts of their clerks to the extent of the entire of their property; but in savings' banks, as now constituted, the managers are not liable except for their own acts; or in Ireland, in case they are guilty of wilful neglect or default; and they may limit their liability from the latter cause to £100. In England, they are not liable unless they pocket the money themselves.

To illustrate this defect of liability, I may refer to the Dublin savings' banks in Abbey-street and Meath-street. The deposits are £280,000, and the entire security that the depositors have, even in case of wilful neglect and default of the managers, does not necessarily exceed £5,000.

From the constitution of savings' banks as thus explained, I inferred in my former paper that there was such an amount of divided responsibility, and such an absence of security, as to be fatal to the success of these institutions.

The duties of the public which I ventured to point out were, *first*, that those who propose either by direct advice, or by the implied advice arising from their being managers or trustees, to induce poor people to entrust their money to these institutions, should in the first instance try and understand what security they advise the people to trust to: try and understand how deeply responsible they are, if they give false information as to the nature of that security, or if they give foolish advice as to the extent to which the poor should trust to the limited security that really exists.

The *second* duty is equally plain, for every trustee and manager to do his best to have the bank he is connected with wound up, and the depositors paid off. If he cannot within a reasonable time persuade his co-trustees or co-managers to wind up the bank, then he ought to resign. Such was the conduct of one manager of the Cuffe-street bank in 1833. "I resigned," said he, "for I made up my mind never to have anything to say to savings' banks as long as I lived; I saw the defects of the law too plainly to have anything more to say to them."

In my former paper, I did not refer to the management of the deposits by the commissioners for the reduction of the national debt. In my innocence, I assumed that their management was prudent and faithful.

As to the prudence of the management, the Chancellor of the Exchequer now explains that the practice of the commissioners was to invest the deposits by purchasing in the public funds, and to

effect the re-payments by sales of stock. These transactions were attended with some expense. They were, however, also attended with considerable loss; for, as the savings increased in times of prosperity, the principal purchases were made when the funds were high; and as the deposits were withdrawn in times of political excitement or public distress, the sales were made when the funds were low. To buy dear and to sell cheap must be a losing trade, and the slight difference between the interest received and allowed by the commissioners was not sufficient to cover this loss. Mr. Gladstone has proposed a very clever and ingenious plan for avoiding this loss for the future, which I will not attempt to explain, as you may read it some of those days in his own lucid and eloquent language.*

It may be observed, however, that it is somewhat remarkable that such an obvious source of loss should continue for nearly forty years without a remedy, under the management of such officers as the commissioners for the reduction of national debt.

Although there may be some excuse for the management of the commissioners being imprudent, what shall we say if it should turn out not to have been faithful?

As the balances of the savings' banks were not under any public scrutiny, a lax principle seems early to have been introduced, of considering them under the orders of the Chancellor of the Exchequer; and, accordingly, successive chancellors, when in a difficulty, have resorted to the savings' bank balances in the hands of the commissioners, for the purpose of making up temporary deficiencies; in other words, for the purpose of making the quarterly and annual statements of the public accounts present a fictitious appearance of prosperity.

Mr. Gladstone, to his credit, has manfully determined to put a stop to this system, and to guard against any future Chancellor of the Exchequer having the power to use the savings' bank deposits.

The two evils had, however, cost the country a considerable sum before the remedy was proposed; for Mr. Gladstone states that the deficiency in the funds, standing to the credit of the commissioners for the reduction of national debt from loss on sales, and from the application of balances, is now £4,000,000.

The greater part of this deficiency has arisen since 1842, for it was then only £1,800,000.

Before noticing the general conclusion to be deduced from these facts, I will briefly call your attention to the some parts of the story of the Cuffe-street Bank which it enables us to understand.

When the defalcations of Mr. Dunne, the Cuffe-street clerk, were discovered in 1831, the managers at once applied to the commissioners for advice. They suggested that a special commissioner should be appointed to enquire into the management of the bank, and either re-model or close the bank. They naturally thought that the commissioners were great public officers, having no loss on sales to fear, no deficiency to conceal. The commissioners, however, refused to give any advice. They shifted all responsibility

* The paper was read before Mr. Gladstone's resignation of the Chancellorship of the Exchequer.

from themselves, and ostensibly treated the matter as a dispute between the depositors and managers, to be settled by Mr. Tidd Pratt, an English barrister, who then was and still is the referee for savings' banks.

Mr. Pratt, after deciding on the claims of the depositors, advised the managers to pay out of future profits £4,274, which he decided was not a legal charge on the funds of the institution. He gave this advice, although it was stated to him that the bank was insolvent, and although no account had been furnished to the commissioners for two years.

In giving this advice, Mr. Pratt must have been in the confidence of the commissioners; for when the managers asked him whether the commissioners would receive the accounts showing a deficiency, he said they would; and accordingly they did receive the annual accounts, showing a large deficiency every year from 1831 until the exposure of the bank in 1848.

Now, it so happens, that the commissioners had a strong motive for concealing the insolvency of the bank in 1831. Had its failure produced a general run on savings' banks in that year, the loss on sales would have been very large; for the political excitement which prevailed after the French revolution, and pending the Reform Bill agitation, had, in 1831, reduced the funds below the average of preceding years.

When the run took place on the Cuffe-street Bank, in 1845, the managers again applied to the commissioners, and to the then Chancellor of the Exchequer (Mr. Goulburn), stating that they were insolvent, and had long been so, with the knowledge of the government, and applying for leave to draw £50,000 in one week. The leave was granted.

Now, here again the commissioners had a motive in not having the bank wound up. Ireland was at that time in a state of political agitation; the failure or closing of one bank would have produced a run; a run would have involved a heavy loss on the sales of stock, and might have forced an explanation as to the application of balances.

The facts now disclosed seem to me to entitle the depositors in the Cuffe-street Bank to a re-consideration of their case. As the bank was allowed, from motives of public policy, to continue for seventeen years in an insolvent state, the ultimate loss ought not to fall on the depositors, who invested after the commissioners and the government had notice that the bank was becoming more insolvent every year.

The shabby vote of the House of Commons, in 1851, of ten shillings in the pound, ought now to be set right by a full re-payment of the remaining £30,000.

The inhabitants of Dublin of the wealthier class are peculiarly interested in having the loss of the Cuffe-street depositors set right. There can be no doubt that the character of the trustees, men of high standing in Dublin, helped to maintain the stability of the bank, after doubts had been thrown upon its solvency.

It is vain to complain of the poor not having confidence in the rich, if wealthy trustees allow the poor to suffer from the conse-

quence of the defects of an institution which they supported and recommended.

The facts which I have noticed only confirm the views put forward in my former paper. The divided responsibility of management between the government and the trustees, and the limitation of liability of the managers are both fatal to the security of the depositors; so that there is not in charitable savings' banks, as now constituted, that reasonable amount of security that any honest man can advise his poor neighbour to trust to them.

The object of providing a perfectly safe place for the deposits of the poor, is a matter of such importance in our present state of civilization, as to demand our best exertions to have the requisite means adopted for securing it. For this purpose, there are two two measures which seem to be indispensable.

The first is, to extend to all joint-stock banks the facilities for repaying deposits to minors, married women, and the representatives of deceased depositors, now conferred on the savings' banks. The importance of this change is shown by the number of persons in some of the classes to which I have referred, who are depositors in savings' banks. Thus it was ascertained at Manchester, in 1842, that one-fourth of the depositors are minors; and one-fourth, women-servants, milliners, dressmakers, and needlewomen.

The next measure is to extend the plan of the Chancellor of the Exchequer to a considerable portion of the public debt, and to have it so arranged as to be a convenient investment for the poor. There is no reason why the whole business of registering the public debt should be monopolized by the Banks of England and Ireland, and transacted in London and Dublin only.

The example of the subscriptions to the recent loan raised by the Emperor of the French, shows how ready the poorer classes are to invest in government security; and the money order office in our Post-office shows that a large part of the business of banking for the poor can be cheaply and efficiently conducted by the officers of a public department.

The first step towards the adoption of such measures is to produce a conviction in the public mind, of the utter instability of savings' banks as now constituted, and that conviction I have endeavoured to create.

III.—*Russian Serfs and British Laborers.*—By Henry Wynne, Esq.

[Read 19th March, 1855.]

At the present period any inquiry into the social resources of that vast country which is carrying on a stupendous struggle with the bulk of the civilized nations of Europe, must possess peculiar interest, and a comparison of the state of its peasantry with that of our own country may be suggestive of many hints of practical importance. And if this be, as I believe it to be, one of the most valuable uses of the study of history, or the investigation of the