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Financial Panic, Famine and Contagion: Ireland in the 1840s and 1850s

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IRELAND IN THE 1840S AND 1850S[1]

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1. BEGINNINGS

Savings banks in the United Kingdom lack the glamour of contemporaneous innovations such as the power-loom or the railway engine. What could be duller that the story of institutions that didn't even expose themselves to the risk of lending money and which for the most part were cautiously and competently run? Yet savings banks are worth studying, if less for their own sake than for what they can tell us about the economy and economic behaviour more broadly. This paper uses the records of a nineteenth-century Irish savings bank to shed some light on the role of financial institutions and financial panics associated with them in backward economies. This section offers a brief introduction to the history of savings banks in Ireland (Part 1). I then describe one well-documented bank, the Thurles Savings Bank (Part 2). In Parts 3 and 4 I discuss the impact of two financial panics on the Thurles Savings Bank. Part 5 concludes.

During the Industrial Revolution there was no shortage of schemes particularly directed at 'industrious and frugal' servants and tradesmen, and more generally at those who might easily be reduced to destitution by unemployment, illness, or old age. In 1793 the British parliament passed a scheme to promote friendly societies, but such societies were soon being criticised for being wasteful and too narrowly focused. Of several schemes to encourage working-class thrift the most important would prove to be the provident institution or trustee savings bank. The foundation of the savings bank movement is usually dated to 1810 in Ruthwell, a small village in lowland Scotland. The new concept spread very rapidly throughout the UK and indeed further afield.[1] It became fashionable for the middle classes and the gentry to be involved in banks as trustees, patrons, or part-time managers. Their desire to make the poor industrious was coupled with a self-interested concern to reduce the nuisances of poor relief and street begging. The system thus embodied a paternalism that seemed to unite the interest of rich and poor.

So influential was the support for the new institutions in the United Kingdom at the outset that parliamentary backing was soon forthcoming. Separate acts to encourage the spread of savings banks in Ireland and in England fixed the rate of interest payable at a very generous 3d per cent per diem or 4.55 per cent per annum, limited depositors to investments of £50 per annum in Ireland and £100 in Britain, and exempted bank transactions from stamp duties. [These rates and limits would change later.] They also prohibited trustees from having a financial interest in a savings bank. As a confidence-building measure the legislation also stipulated that the banks' deposits be placed on account with the Commissioners for the Reduction of the National Debt.

Some radicals (e.g. William Cobbett) viewed the savings banks as a cunning way of getting rid of the entitlement to poor relief. While undoubtedly some supporters of savings banks were hard-line Malthusians who wanted an end to *all* poor relief, there is also a distinction between entitlement and the *need* for relief. More soundly based was the critique that the banks really were not helping those for whom they were intended, and that the benefits were being captured by the middle and lower-middle classes. This is a point that would be rediscovered in the 1950s and 1960s by Neil Smelser and Albert Fishlow.[2]

The new institutions relied on a combination of public and private subsidy. They aimed to offer their clients three things: a relatively attractive return on their savings, considerable liquidity, and security. In the mid-1810s they spread like wildfire. By the end of 1818 there were nearly five hundred savings banks in Great Britain. Diffusion tapered off thereafter. In Ireland diffusion lagged, but only very slightly, behind the rest of the UK.[3] As in Britain the banks relied on local grandees to lend prestige, and on clergymen, and professionals and businessmen to provide the initiative and to act as trustees or managers. This sense of *noblesse oblige* (or its bourgeois equivalent) was a crucial aspect. In general the management was ecumenical in composition.

Ireland's first successful savings bank, the Belfast Savings Bank, opened for business in January 1816. Thereafter though Ulster took the lead, banks were soon set up throughout the island. By late 1829 there were seventy-three of them. On the eve of the famine there were nearly one hundred thousand depositors in seventy-six savings banks holding balances totalling nearly £3 million. The Irish savings bank network had been essentially established by the mid-1820s. Of the seventy-four Irish banks still open in late 1846 forty-six had been created in 1816-25, a further twenty-one in 1826-35, and only seven from 1836 on. Long-established banks best withstood the pressures of the late 1840s (on which more later). Of the fifty-two founded before 1826 six had gone by the wayside by 1848; of the twenty-nine founded in 1926-35, eight failed by 1848; of the twelve founded in 1836 or later, five had folded by 1848. The earlier savings banks were also bigger.

On the eve of the famine the population of Ireland was more than half that of England & Wales, and more than double that of Scotland. Yet Ireland had only half as many savings banks as Scotland, and about one-sixth as many as England and Wales. Part of the reason for this is that banks fared best in urban settings, whereas Ireland was overwhelmingly rural. The banks were more likely to be located in the more developed parts of the country. On the eve of the famine the province of Connacht, poorest and least urbanised and worst affected by the famine, had 17 per cent of the population but only 4 per cent of the savings held in savings banks. So, ironically, the banks were fewest where the really poor were most numerous. The initial motivation behind the banks and their parliamentary supporters was to get the poor to save. In this respect their record was mixed at best. Qualitative accounts suggest that the lower-middle and middle classes were the main beneficiaries. Hard data on the savers' socio-economic status confirm such impressions (Ó Gráda 2003).

2. *THURLES SAVINGS BANK*

Thurles Savings Bank (henceforth ThSB) opened for business in late 1829 and folded in 1871 (O'Shea 1989). The decision to create the bank was taken at a meeting of 'those Gentlemen who are disposed to lend their Aid...for the Benefit of the Town and Neighbourhood '. Its trustees and managers were mainly local clergymen, landed proprietors, and professional people. There was just about enough of a 'leisure class' in Thurles and its hinterland to sustain it. The local Protestant clergy were particularly active in its affairs, with Archdeacon Cotton involved from beginning to end. In the early years James Butler M.D. and Rev. Dr. Thomas O'Connor, first president of St. Patrick's College, a junior seminary established in 1837, also played prominent roles. When Thomas Kirwan resigned as treasurer in November 1833 he was thanked by fellow managers 'for zealous and efficient discharge of the duties of his office for four years to which is mainly to be attributed the progressive improvement of the Bank'. Most of its officers were long-serving. Between 1829 and 1859 the bank had only three treasurers (after which the

National Bank fulfilled the function), and local shopkeeper, stamp-seller, and stationer Matthew Quinlan served as part-time actuary from beginning to end, on a salary that varied with the volume of business. However, only a minority of the twenty trustees nominated at the outset played any significant part in ThSB's operations, and some seem never to have attended a quarterly trustees' meeting. In effect at any one time the bank was run by a group of six to eight people, and attendance at the trustees' quarterly meetings rarely exceeded five or six (O'Shea 1981: 96-7; ThSB board minutes).

Uniquely for Ireland, the records of ThSB survive almost in their entirety. The bank was representative of banks in middle-sized towns like Thurles, though its deposits were slightly on the high side. A feature was the particularly high percentage of savers in the £20-£50 bracket: 52 per cent of all accounts in Thurles, against 38 per cent nationally in November 1846. Throughout its lifetime the bank opened only once a week, on Mondays between 1 and 2 p.m. Over its lifetime the bank received £187,057 10s 6d in 4,213 accounts opened in the names of individuals, as well as another fifty-one representing voluntary organisations or charitable institutions (Ó Gráda 2003).

The ThSB's ledgers corroborate the point about the banks being mainly a vehicle for the more comfortable and better off. Thurles held over four thousand accounts in all. The spread of opening lodgements is worth remarking on (Figure 1). More than one lodgement in three (1,630 out of 4,213) was for exactly the maximum permitted sum of £30. Note too the peaks at £5, £10, and £20. Quite plainly children's accounts were used to overcome the regulation that no single account be augmented by more that £30 in a single year. The opening deposits in trust accounts tended to be bigger than average. Only 8.5 per cent of them were of £5 or under, compared to 18.5 per cent of all opening deposits. Moreover, nearly three-fifths of the opening deposits of exactly £30 were trust accounts, and a much higher proportion of trust accounts (52.6 per cent) were at the upper limit of £30.

Between 1829 and the beginnings of the Great Famine in 1846, deposits in ThSB exceeded withdrawals in each year with the exception of 1840 and 1842. However, in 1834-36 there were substantial withdrawals (£11,265 against £14,340 deposited). This may well have been due to the opening of a branch of the National Bank in the town in 1835 and a branch of the Agricultural and Commercial Bank in the following year. The opening of a branch of the new Tipperary Joint Stock Bank (on which more later) in 1840 also drew some drawn accounts away from ThSB. As in England, reductions in the rate of interest paid on deposits in savings banks also probably had something to do with it. The sensitivity of deposits to alternative outlets for funds is significant.

Note first of all that the two main poor categories, labourers and servants, were underrepresented. Labourers accounted for half the labour force on the eve of the Great Famine, but for only one saver in fifty. In effect ThSB was a farmers' bank. More than one account holder in four was described as a farmer or a member of a farming family, and it is clear from the ledgers that a significant number of those described merely as 'minors', 'spinsters', 'widows', and 'married women' were also from farming families. These categories were to the fore throughout the bank's history.

The impression that 'very few of the lower orders take advantage of the saving bank' is confirmed by a close scrutiny of ThSB's records. Table 1 summarises the profile of savers. It contains some expected and some perhaps surprising features. The low average opening balances of servants and labourers are expected, those of tailors and bakers perhaps less so. At the other end of the spectrum are landowners and gentlemen, the groups with the highest average maximum balance. The closeness of opening, closing, and maximum balances for farmers, farmers' wives, and farmers' children suggest that farmers used the accounts of family members to extract maximum benefit from the bank.

In general the picture is of rather inactive accounts, with an average of just a few transactions a year. The number of deposits typically exceeded withdrawals. This seems to have been typical of nineteenth-century savings banks.[4] The average closing balance exceeded the average opening balance in all occupational categories. This suggests that the bank was used as a vehicle for accumulation. The average account was held for about five years, with little variation here across occupations or parishes. However, it was quite common for account-holders to close their accounts and re-open another later. The significant proportion of accounts in the names of children (11 per cent) and juveniles (12 per cent) again suggests that these were used to circumvent the rules.

3. FAMINE, PANICS AND CONTAGION

In earlier work Kelly and Ó Gráda (2000) and Ó Gráda and White (2003) employed the records of a major U.S. savings bank, the Emigrant Industrial Savings Bank, to study two panics striking New York in the 1850s. The first of these, that of December 1854, was a local affair affecting only savings banks, while the second, that of October 1857, had global ramifications. The EISB was founded in 1850 to provide an outlet for the savings of Irish immigrants; in the 1850s its clientele was mainly, though by no means exclusively, Irish. The two studies sought to identify what distinguished those individuals who panicked during the panic from those who kept their accounts open. As such they differ from most studies of banking panics, which focus on banks rather than individual stakeholders. Were recent immigrants more likely to panic than those already in New

York for several years? Were those in menial occupations more likely to panic than skilled and professional workers? Did the duration of an account and the number of transactions made matter? The focus of Kelly and Ó Gráda (2000) was on the role of informational networks in spreading contagion. It highlighted the importance of regional networks among the Irish immigrant population. After controlling for several other factors, account-holders born in certain Irish counties and living in certain New York neighbourhoods were much more likely to close their accounts than those in others. The role of such local peer-group effects is also the focus of a recent study by Hong *et al.* (2003) on portfolio holding.

Ó Gráda and White (2003) argued that the nature of the panic influenced the characteristics of those who panicked. In particular, they claimed that the panic of 1854, an ‘irrational’ run provoked by the collapse of a single rogue bank, was driven by uninformed ‘outsiders’, while better informed account-holders were more to the fore in 1857. Both panics were short-lived, and involved only a small minority of account-holders. Table 2 summarises the outcome of estimating for the factors that affected the hazard that an account would be closed during the panic periods of 1854 and 1857. In both cases higher cumulative deposits significantly reduced the hazard of closing an account, implying that the better-off were less likely to panic. Familiarity with banking and with the EISB in particular, proxied by the number of previous transactions, also reduced the hazard. The monthly dummies represent those opening accounts in the month of July, too late to qualify for the half-yearly interest due at the end of the year, and those opening an account on the eve of the panic of October 1854. Their coefficients, as might be expected, have high values. The commercial paper rate (*CPRATE*) is included as an indicator of general economic or commercial stress. Closures were quite sensitive to

CPRATE, with higher rates making closure more likely. Neither gender nor family size seems to have mattered. The impact of occupational variables on closure is less sharp. Labourers were not more inclined to panic in either year, but professional people were significantly more likely to do so in October 1857. Nativity and years in the U.S. mattered in 1854 but much less so three years later. On the basis of these results and the different time-paths of the two crises, Ó Gráda and White (2003) argue that contagion was more of a factor in 1854, while the panic of 1857 showed more signs of being led by businessmen and financial sophisticates.

In the rest of this section and in Part 4 the accounts of the much smaller Thurles Savings Bank. are examined to gain some insight into 'who panicked' during two serious runs on that bank, in 1848 and in 1856 (Figure 2). Though the Great Famine undoubtedly affected Irish savings banks, the link between it and the banks' fortunes in the late 1840s is not straightforward. Indeed in the early stages some observers suggested that the banks' seeming prosperity belied Irish claims of hardship and crisis. Editorials highlighted reports from Ireland of increases in deposits as evidence of 'successful swindling' or welfare fraud on the part of the people.[5] However, both aggregate data and individual case studies would seem to confirm that the economic shock caused by the famine dealt a serious blow to savings banks. Between 1845 and 1849 aggregate deposits fell from nearly £2.9 million to £1.2 million, and the number of depositors dropped by more than half. Of the forty-four savings banks in the United Kingdom that ceased business between 1844 and 1852, twenty-four were Irish.[6]

The famine placed all Irish financial institutions under pressure, and the savings banks were not immune. However, the trends in deposits and the number of accounts in the late 1840s are more complex than the numbers above imply. When decline set in the spatial pattern was not that predicted by our knowledge of the regional incidence of the famine. Population loss between 1841 and 1851 is a good measure of the damage done by the famine. By this reckoning the famine was most severe in Connacht, which lost 29 per cent of its people in the decade. Munster with 22 per cent came next, well ahead of both Ulster (16 per cent) and Leinster (15 per cent). The pattern for savings banks during the famine was quite different. Between November 1845 and November 1846 aggregate deposits fell slightly, but there were rises in all provinces except Leinster (where they fell by 18 per cent). Leinster's problems were due mainly to the collapse of its second biggest bank (on which more below). In 1845/6 deposits rose most in Connacht. In 1846-7 the decline in deposits was greatest in Ulster (19 per cent), while in 1847-8 it was greatest in Leinster (53 per cent) and least in Connacht (34 per cent).

Financial contagion, not the famine per se, was responsible for the major run against the country's savings banks in mid-1848. The run led to a huge decline in deposits and account numbers from which the banks never truly recovered. The run exposed a weakness in their original design. In Ireland the record of the savings banks in this respect was quite good: only one serious case of embezzlement came to light before the late 1840s. But this and two more in April 1848 were enough to give rise to a panic that almost destroyed the whole system.

The collapse of St. Peter's Parish Savings Bank in Dublin was notable for being 'the first real sign of a chink in the armour designed by Parliament'. That bank had been the target of embezzlement and mismanagement since the 1820s, and probably should have been closed in 1831.[7] Mismanagement continued to be a problem. A run on the bank in November 1845 marked the beginning of the end. When it closed its doors on 10 May 1848 its liabilities had reached nearly £65,000 against assets of £100 or so. Sensing that the game was up and that compensation was unlikely some depositors of St. Peter's Parish Savings Bank began to sell their passbooks at a discount in the following week.[8]

Much more damaging were the sensational, unrelated collapses of the Tralee and Killarney savings banks in April 1848. First to go was the Tralee bank, in the wake of a confession by its actuary that he had embezzled it over an extended period.[9] He had run the business from his own house, 'which afforded him considerable latitude for carrying on his frauds'. Since depositors called at all hours with their deposits there were no managers present to check entries. One of his scams worked as follows. Deposits of £30, £15, and £27 would be entered as £3, £5, and £7, and a sum of £15 added to the coffers. The manager would see that the sum lodged matched the entries. Then the actuary would add a zero to the £3 and change the £5 to £15 and the £7 to £27, so that depositors who came to claim their money would get it. In this way suspicions were not aroused. The actuary, on a salary of £60, pocketed about £28,000 between 1832 and 1848, though in 1848 'he appeared to have had but £3,000 realised'. He had built up liabilities of £36,768 against £1,650 assets for which he got 14 years' transportation.[10] The Killarney Savings Bank, which held over one thousand accounts, closed its doors on 18 April 1848. In this case the actuary, one D.W. Murphy, fled, leaving liabilities of £36,000 against assets of £16,582.

An official arbitrator, John Tidd Pratt, was appointed to look into the plight of the two Kerry banks in May 1848. His findings were highly critical of the banks' management, but he found 'the greatest abuse [had] existed on the part of the depositors, with respect to their mode of depositing, and the amounts they invested, as well as an utter disregard to the rates'. His revelations created a sensation. Irish politicians and the press sympathised the depositors and berated Tidd Pratt for protecting the rich (i.e. the trustees) at the expense of the poor (the account-holders). Tidd Pratt defended himself in a letter from Killarney to the *Freeman's Journal* in which he revealed that the average deposit in Tralee had been £40 'and in this place will exceed £50'. He revealed that as numerous Tralee account-holders handed in their pass-books to the clerk in the hopes of getting some of their money back, it emerged that 'some of the farming class, apparently poor, had sums to a surprising amount lodged – even over a thousand pounds each'.[11] Others had claimed sums of £800, £650, £450, £320, and so on. In no savings bank in the United Kingdom had he ever found 'so great a number of what I consider large accounts.' It was no different in the case of the Killarney savings bank: 'tenants, who pleaded extreme poverty to their landlords, paupers from the workhouse, and men whose outward appearance would lead you to look on them as objects of charity, were soon at the office door'.[12] Tidd Pratt reduced the claims of all depositors to those allowed by the rules, thereby drastically cutting the bill facing the trustees from perhaps £40,000 to about £10,000. He added that his duty was 'far from being a pleasant one'.[13]

In amusing evidence to a Commons select committee on savings banks in 1849 Tidd Pratt spoke of 'cases where husbands brought books representing the money to be the property of their sisters, and upon calling the sisters it turned out to be their wives', and of 'persons producing books before me stating it was not their own property, but was the property of their nephews and nieces; and upon my informing them that their nephews and nieces must come themselves, when the children came it was quite clear that they had never seen the book'. Another man 'had a large sum of money in the bank, and it had been stated that if he was pressed [for rent] they must sell his bed under him, and several cases of that kind'.[14] Tidd Pratt's irritation at what he deemed 'the utter disregard of truth, the falsehood and subornation of perjury displayed by the claimants' was understandable. Yet he was too ready to accept the assertions of some of his friendlier informants as fact.[15]

Tidd Pratt's sensational accusations were presented on 18 May 1848. They were widely circulated in the domestic and foreign press and widely repeated later.[16] Henry Arthur Herbert, M.P. for Kerry, who declared that he had seen them in the *Augsburg Gazette*, vigorously rebutted them. Against the claim that three men in jail for debt 'had presented themselves in custody of their gaolers to claim as depositors', Herbert produced a letter from the prison governor that 'no such circumstance ever occurred'. Tidd Pratt was forced to withdraw his accusation before a committee of the House of Commons in 1849.[17] Another widely-circulated claim that inmates had left Killarney workhouse in search of their deposits was also probably a fiction. Herbert was given the names of four workhouse inmates who, according to the master, applied for dismissal at the time of Tidd Pratt's hearings, and 'whom some of the inmates of the workhouse had accused, in a joking way, of having money in the bank'. Herbert engaged a friend to search the list of applicants appearing before Tidd Pratt for the four names, but none could be found.[18]

The impact of the sensational failures in Dublin and Kerry was far-reaching. In Cork the trustees of the local bank were forced to withdraw £45,000 of their investment in the national debt during the first half of April 1848 in order to meet a serious run. At the other end of the country in Belfast there was a serious run on the savings bank 'by nervous and doubtful depositors'.[19] In Thurles the disaster resulted in more accounts being closed in 1848 than in any other year in ThSB's history. Between April and September 1848 322 accounts were closed. Depositors were slow to return to the savings banks, and recovery was impeded by a more aggressive search for accounts on the part of the joint-stock banks after mid-century. The National Bank began to accept deposits of ten shillings or more at the current rate of interest. The fragility of the savings banks after 1848 is well reflected in the run that spread from Cork to Dublin in 1853, stemming from a rumour that the Cork Savings Bank had closed for good, when in fact it was merely refurbishing its facilities.[20]

Were those who panicked in 1848 systematically different from those who held their nerve? We have already addressed this question in the very different context of the Emigrant Savings Bank.[21] In Table 3 we first compare the panickers (approximated by those who closed accounts between April and September 1848) with four other sets of account-holders: first, the 341 account-holders who closed their accounts in 1843-5; second, the 384 who closed in between January 1847 and March 1848; third, the 310 who closed in 1849-51; and finally, the 482 who held accounts in March 1848 but chose not to close them in the following months.

Note first the apparent absence of any strong gender affect: women, it seems, were slightly less inclined to panic, but the difference in the proportion of female closers in the five groups is small. The opening and closing balances of those who panicked hardly differed from the balances of those who did not. Account-holders with addresses in Thurles were slightly more inclined to panic but again the effect is small. There is little evidence of panickers clustering by parish. Two differences are more significant. During the panic account-holders with the same surname and address were more likely to close. Farmers and members of farming households were also more likely to close, while people of means, such as landowners, clergy, and professionals, were less likely to do so. It is hardly surprising that when parents closed accounts, they also closed those of their children. That networks of occupation, sex, or parish did not register may reflect secrecy about accounts. That servants and labourers were also marginally more likely to keep their accounts open is perhaps more surprising.

Table 4 offers a more formal analysis. It describes the outcome of four slightly different logit specifications of 'who panicked'. The dependent variable is set at unity for accounts closed during the panic period, and zero otherwise. The explanatory variables are as follows. *thurl* means an address in the town of Thurles; *inner* and *outer* refer to addresses in an inner and outer ring of parishes around Thurles; *relpanic* is set at one if the account of a relation is closed during the panic; *whcollar* includes landowners, those described as 'esq.', corndealers, and professionals; *ric* represents members of the Royal Irish Constabulary; *prole* includes mainly labourers and servants. *Spinster* and *minor* are self-explanatory. The other covariates refer to particulars of each account: *dateop* (when the account opened); *avl* (lodgements per day); *avw* (withdrawls per day); *l4548* (lodgements in 1845-48); *w4548* (withdrawals in 1845-48); *opbal* (opening balance); *op45* (balance in 1845); *cl48* (balance in 1848); *totdep* (total sum deposited); and *max* (maximum deposit). The coefficients in Table 4 are the marginal effects of a change in each variable, and the associated t-statistics. The unimportance of gender is confirmed. Nor did location matter much; indeed those living in the outer ring of parishes were most likely to panic. Farmers and unskilled workers were more likely to panic, members of the police force and the wealthy were less inclined to do so. Note that *relpanic* is big and significant throughout. The longer an account had been open the less likely it was to close: perhaps some accounts were effectively dormant in 1848. The busier an account, as reflected in *avl* and *avw*, the more likely it was to close. The more on deposit in the account in 1848 (*cl48*) the less likely it was to close. Big accounts, represented by *max* and *totdep*, were also less likely to close. Overall, the impression is of the less well off being more inclined to panic. The strong tendency for family members to act together is striking. One interpretation of this is the importance of the family as an informational network. In other words, in Thurles the decisions of siblings or other family members mattered more than those of neighbours. But there is a more mundane interpretation too. That family members should act in concert is perhaps not so surprising, given that in many cases trust accounts in the names of sons and daughters were managed by parents, and indeed used as a means of circumventing the rules about maximum lodgements and sums deposited.

The panic of 1848 had a lasting effect on Irish savings banks. Deposits would never recover their pre-panic level. The failure of the banks exposed a shortcoming in the design of savings banks, and undermined popular confidence in them. In all cases the trustees had failed in their responsibility to monitor the bank's actuary. The abuse of the system highlighted by Tidd Pratt made those with substantial deposits in the savings banks doubly nervous. There is thus a sense in which both the panic and the subsequent reluctance to use savings banks were 'rational' reactions. However, it is also noteworthy that an equally sensational collapse less than two years later in England did not have the same effect. On the death of George Haworth, actuary of the Rochdale Savings Bank, in November 1849 it was discovered that he had defrauded depositors of over £70,000. Haworth had been using the bank to fund his foundering cotton mill. Despite this and a series of other smaller defalcations the aggregate sum deposited in English savings banks continued to rise during the 1850s, as aggregate deposits in Ireland fell.[22]

4. *THE PANIC OF 1856*

It is may seem a long way to Tipperary from Charles Dickson and Anthony Trollope. Yet Mr. Merdle in *Little Dorrit* (1857) and, to a lesser extent, Augustine Melmotte in *The Way We Live Now* (1875) were modelled on a real-life, notorious

Tipperaryman. Like Merdle and Melmotte, John Sadleir M.P. committed suicide in the face of financial scandals. Sadleir, a controversial figure in Irish politics, lived mostly in London. From there he exercised full control over the Tipperary Joint Stock Bank, which had been established in 1840 by his uncle James Scully, and was managed by his brother James. John's suicide on Hampstead Heath on the night of 16-17 February 1856 was prompted by the refusal of both Messrs. Glynn in London and the Bank of Ireland in Dublin to cash any further drafts on the Tipperary Bank, and by the imminent disclosure of Sadleir's role in various embezzlement schemes. In the following days the inquest into Sadleir's death and revelations about his various scams figured prominently in the British and Irish press.

The sensational failure of the Tipperary Bank, with liabilities of £0.4 million against assets of about £45,000, had far-reaching ramifications in Ireland. Most Irish banks came under pressure in the following months, though by the end of the year the crisis was over.[23] In Thurles, where the business of the local branch of the Tipperary Bank had been 'rather extensive', both the National Bank and ThSB came under some pressure in the weeks following the collapse. In the immediate aftermath of the collapse a police presence was required to protect the Tipperary Bank's premises against angry farmers. A local newspaper claimed that the panic did not extend beyond 'the small farmer class'.[24]

Were there any discernible differences between those people driven to close their accounts in ThSB in February and March 1856 and those who closed in 'normal' times? Table 5 compares the seventy-five accounts closed during February and March 1856 with the 199 closed in 1853-55 and the 191 closed in 1857-58. The profiles are quite similar in most respects. However, both average opening and closing balances were higher during the panic than before it; farmers, members of farming families, and labourers were much more prominent among closers in 1856 than either before or after; and those who withdrew during the panic were much more likely to be people with the same surname as other closers. Policemen, landowners, professional people, and the gentry were less inclined to panic. This is consistent with the suggestion that family networks were an influence on the decision to close an account.

The collapse was unfortunate for ThSB in another respect. For many years ThSB had held a balance of several hundred pounds with the National Bank. When the National Bank announced a reduction in the rate of interest on this sum from 2.5 to two per cent in mid-1855, the account was moved to Sadleir's bank.[25] The decision, which cost ThSB nearly five hundred pounds, would haunt it till the end. As resultant economy measures, the trustees were forced in November 1858 to reduce the actuary's salary by £10 and in May 1859 to reduce the interest payable on deposits to 2.5 per cent.[26] Had ThSB's loss been more widely known at the time, the run on it would surely have been more sustained.

Had it been widely known that shortly before the collapse the trustees of ThSB had transferred their account from the National Bank to the Tipperary Bank, the run on ThSB would surely have been more sustained. For many years ThSB had held a balance of several hundred pounds with the National, money that should technically have been deposited with the National Debt Office. When the National Bank announced in mid-1855 that it was about to reduce the rate of interest on those deposits from 2.5 to two per cent, whereas the Tipperary Bank guaranteed 2.5 per cent, the account was moved to Sadleir's bank. The decision, which cost ThSB nearly five hundred pounds, would haunt it till the end. As resultant economy measures, the trustees were forced in November 1858 to reduce the actuary’s salary by £10 and in May 1859 to reduce the interest payable on deposits to 2.5 per cent.

CONCLUSION:

The paper began with a brief account of the early history of Irish savings banks. It noted that, to an even greater extent than in England and even more so than in Scotland, Irish savings banks benefited disproportionately the comfortably off. While some poor people undoubtedly benefited, it is clear that the lion’s share of the benefits went to a minority of relatively affluent account-holders. Paradoxically, Ireland’s relative backwardness accounts in part for the disproportionate role of the rich as beneficiaries.

Ireland’s relative backwardness also may also partly account for the vulnerability of its savings banks to another form of abuse. The embezzlement and collapse of three banks in a single year (1848) was bad enough in itself, but more serious for the survival of the system as a whole was that the financial contagion that resulted. Nonetheless these and other lesser swindles exposed a serious weakness in the system more generally. They prompted a debate about alternatives to savings banks and facilitated the adoption of William Gladstone’s post office savings system in 1861.

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Table 2. Modelling EISB Account-Holders in 1854 and 1857

	1854			*1857*	
VARIABLE	*Hazard Ratio*	*P(z)*		*Hazard Ratio*	*P(z)*
Cum. Deposits	0.999	0.006		0.999	0.002
Transactions	0.855	0.000		0.902	0.000
July 1854	3.599	0.000			
Oct 1854	3.397	0.000			
July 1857				9.925	0.000
CPRATE	1.149	0.000		1.329	0.000
Female	0.994	0.970		1.044	0.760
Married	1.726	0.001		1.334	0.095
No. children	0.929	0.130		0.943	0.195
Unskilled	1.109	0.535		1.001	0.993
Professional	0.445	0.098		1.635	0.118
Years in U.S.	0.963	0.019		0.994	0.660
Ulster	1.585	0.125		0.785	0.323
Connacht	3.507	0.000		0.979	0.928
Leinster	3.106	0.000		0.993	0.974
Munster	4.439	0.000		0.949	0.796
No. obs	657			589	
No. panickers	212			276	

TABLE 5: ACCOUNTS CLOSED 1853-8

	1853-1855	*Feb-Mar 1856*	*1857-58*
Number	199	75	191
Female (%)	45.7	46.7	37.7
Avg. Opening Balance (£)	17.5	20.7	19.0
Avg. Closing Balance (£)	23.3	29.8	28.1
Avg. Date open	Oct 50	Dec 49	Nov 54
Thurles address (%)	34.4	36.7	37.7
In trust (%)	32.7	38.7	44.0
Withdrew at same as another with same surname/address (%)	23.6	50.7	40.3
Status or occupation where given (%)			
Farming (incl family)	30.1	47.9	28.2
Labourers, servants, dealers, etc.	11.5	18.3	10.7
Married women, widows, spinsters	26.9	20.0	27.5
Minors	5.4	4.2	13.0
Gents, corndealers, doctors	5.4	1.4	6.9
RIC	5.4	1.4	2.3
Other	14.6	6.8	10.7
	100.0	100.0	100.0
Not given	69	19	59

TABLE 3: CLOSURES BEFORE AND DURING THE PANIC OF 1848

	Closed 1844-5	*Closed Jan '47-Mar '48*	*Closed Apr-Sept '48*	*Closed 1849-51*	*Open in March '48 but did not close*
Number	341	384	322	310	482
Female (%)	41.1	38.8	41.0	45.5	41.9
Avg. Opening Balance (£)	18.7	20.0	21.3	18.0	19.4
Avg. Closing Balance (£)	23.6	26.5	29.7	18.4	32.4
Avg. Date open	Sept 40	Aug 43	Dec 43	Dec 44	Sept 41
Address in Thurles (%)	41.9	43.0	35.4	47.7	39.4
Moycarkey (%)	7.0	8.6	9.3	8.0	
Holycross (%)	6.5	10.2	12.8	6.5	
Drom (%)	6.7	9.1	7.8	7.1	
In trust (%)	41.1	47.4	47.8	47.7	37.3
Withdrew in same month as another with same surname/address (%)	22.9	38.3	43.5	21.6	--
Status or occupation (%)					
Farming (incl family)	40.4	44.6	47.5	35.3	32.2
Labourers, servants, dealers, etc.	16.4	12.9	13.2	11.3	10.7
Married women, widows, spinsters	20.8	20.9	19.0	24.0	16.2
Minors	4.8	9.4	7.0	6.3	8.1
Gents, corndealers, doctors	8.0	1.7	2.5	8.0	3.7
RIC	1.6	2.1	0.4	2.5	2.7
Other given	8.0	8.3	10.3	12.6	8.9
Total given	100.0	100.0	100.0	100.0	100.0
Not given	91	97	80	72	83

TABLE 1: PROFILES OF THURLES ACCOUNT HOLDERS 1829-1870

STATUS	*NO.*	*AVG. OPENING BALANCE (£)*	*AVG. CLOSING BALANCE (£)*	*AVG. MAX BALANCE (£)*	*TOTAL DEPOSITS (£)*	*AVG. NO. LDGMTS*	*AVG. NO. WTHDRLS*	*AVG. DURATION*	*AVG. TRANS.*
Baker	25	7	13	17	24	12.4	2.3	1.8	8.2
Servant	215	8	13	18	24	4.9	2.2	5.2	1.4
Labourer	83	13	13	19	29	3.9	3.4	3.4	2.1
Tailor	15	8	14	18	26	4.8	3.8	2.8	3.1
Dealer	30	13	17	27	46	7.4	5.3	4.1	3.1
Esquire	57	24	32	47	75	4.3	2.3	4.1	1.6
Landowner	26	21	46	54	64	3.8	2.4	3.9	1.6
Farmer	574	24	31	41	55	3.0	2.4	4.4	1.3
Farmer’s dghtr.	136	23	32	40	47	2.3	1.2	4.2	0.8
Farmer’s son	205	25	35	43	54	2.4	1.2	5.2	0.7
Farmer’s wife	169	23	35	44	50	2.6	1.6	4.6	0.9
Minor	262	18	29	38	48	5.9	1.7	5.5	1.4
Policeman	86	16	27	32	34	4.0	1.9	4.2	1.4
Married woman	323	18	25	33	45	5.4	2.2	3.6	2.1
Spinster	349	19	29	36	47	5.6	1.7	4.3	1.7
Widow	112	20	23	34	42	3.4	3.4	4.6	1.5
Catholic curate	36	22	25	34	42	2.5	1.8	3.5	1.2
Male	2387	20	26	34	44	3.8	2.0	4.0	1.5
Female	1826	17	25	32	40	4.5	1.9	4.2	1.5
Total	4213	19	26	33	43	4.2	2.0	4.1	1.5
Thurles	1768	16	21	29	40	5.8	2.3	3.8	2.1
Other	2445	21	29	37	44	2.9	1.7	4.3	1.1

TABLE 4. A LOGIT MODEL OF WHO PANICKED IN 1848

	[1]	[2]	[3]	[4]
Number of obs	836	838	837	837
Prob > chi2	0.0000	0.0000	0.0000	0.0000
Log likelihood	-444.7756	-445.21242	-430.98343	-444.82512
Pseudo R2	0.2200	0.2208	0.2449	0.2207

Marginal Effects

	[1]		[2]		[3]		[4]		
variable	dy/dx	z	dy/dx	z	dy/dx	z	dy/dx	z	mean value
sex	.0057	0.14							.441388
thurl*	.0427	0.40							.376794
inner*	.1442	1.35	.1066	2.19	.1228	2.48	.1371	2.97	.429426
outer*	.0838	0.72	.0450	0.71	.0711	1.09	.0893	1.42	.154306
relpanic*	.4668	9.15	.4685	9.19	.4552	8.29	.4343	8.02	.117225
whcollar*	-.0440	-0.42	-.0446	-0.44	-.0745	-0.75	-.0906	-0.96	.045455
ric*					-.2621	-2.45	-.2531	-2.25	.016726
farming*	.0823	1.57	.0782	1.55	.0409	0.78			.319378
prole*	.0668	0.91	.0673	0.92					.089713
spinster*					-.1712	-2.39	-.2024	-3.09	.070490
minor*					-.0936	-1.19	-.0903	-1.16	.068100
dateop	-.0000	-1.64	-.0000	-1.80	-.0001	-3.03	-.0000	-2.22	15700.0
avl	96.40	6.15	96.82	6.30	103.5	6.45	94.57	6.17	.002581
avw	8.839	0.80	8.145	0.96	14.84	1.66	7.970	1.04	.001485
l4548	-.0265	-2.50	-.0273	-2.64	-.0308	-2.64	-.0429	-3.45	2.19378
w4548	-.0016	-0.12							1.50000
opbal	.0097	3.88	.0099	4.20	.0096	4.12	.0074	3.39	20.1352
clbal					.0041	3.14	.0048	3.92	31.1750
op45	.0004	0.27							29.5556
cl48	.0027	2.25	.0030	3.49	.0045	3.27	.0050	3.87	31.1453
totdep	-.0049	-7.30	-.0049	-7.61	-.0035	-4.54			68.0419
max					-.0064	-4.03	-.0106	-7.74	47.1153

(*) dy/dx is for discrete change of dummy variable from 0 to 1

Fig. 1, Accounts Opened and Closed 1829-71

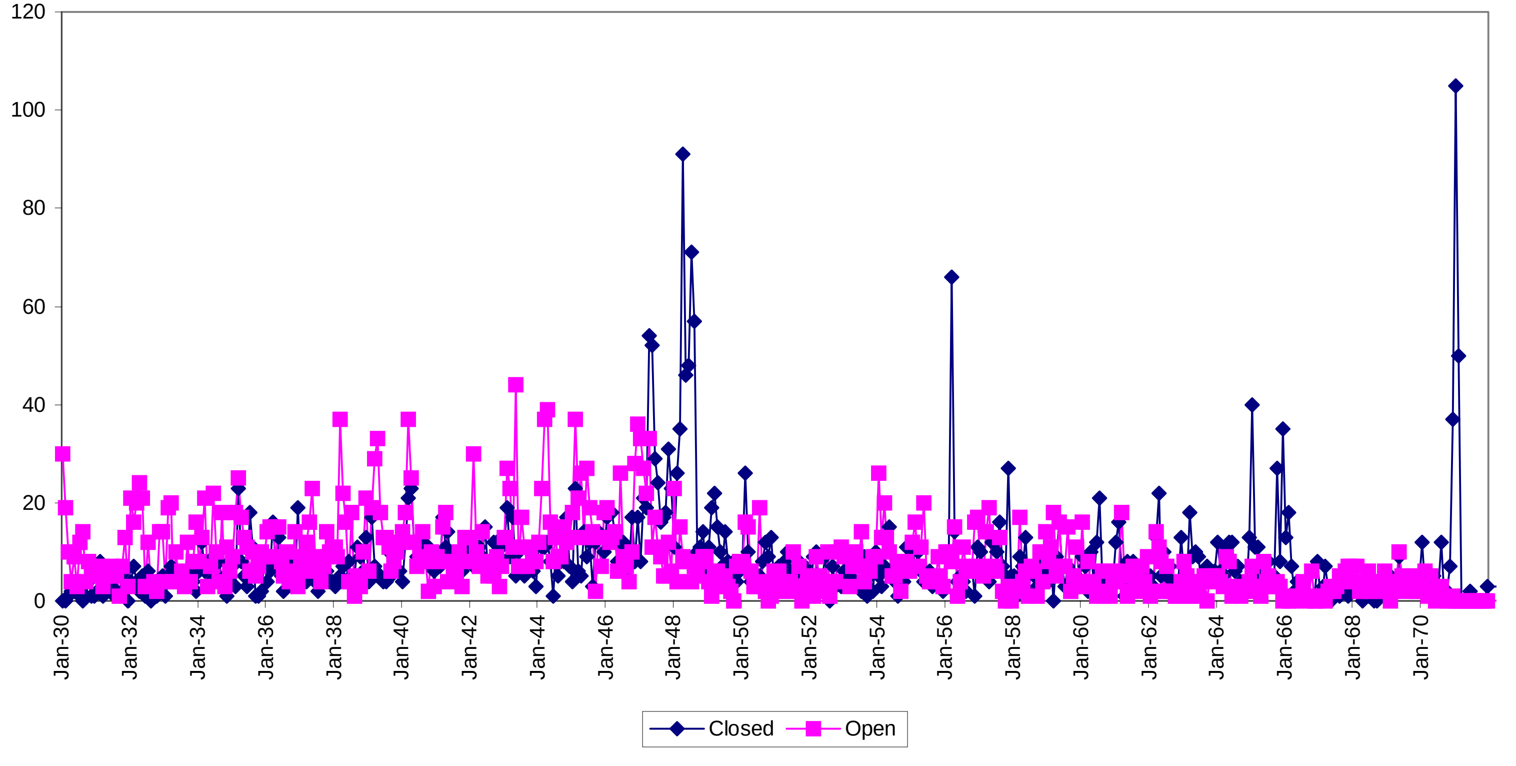
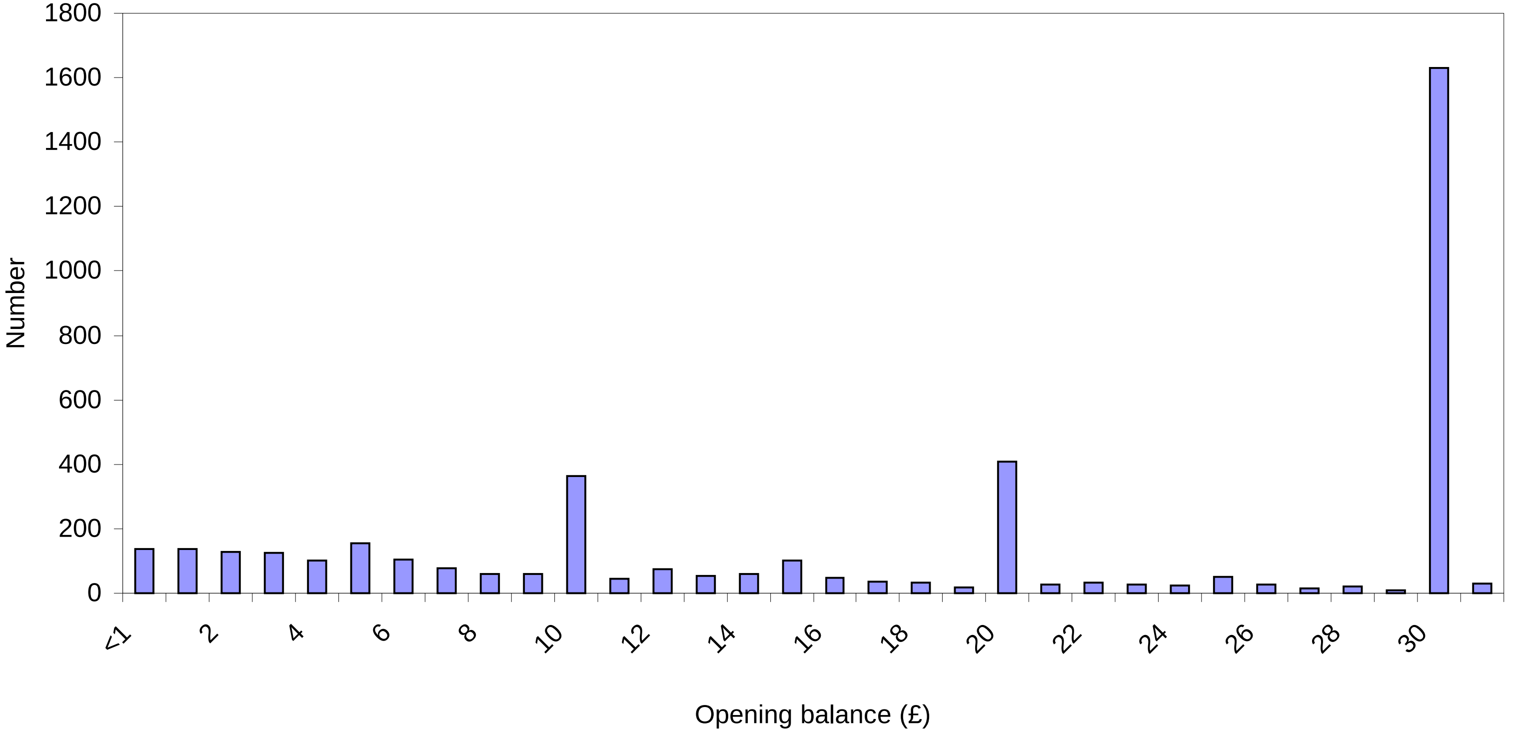


Figure 2: OPENING BALANCES IN THURLES, 1829-70



[1] For the early history of savings banks in Germany and Spain see Guinnane, 'Delegated monitors, large and small', and Pascual Martínez Soto, 'Las cajas de ahorros españolas…entre la beneficencia'; *id*., 'Las cajas de ahorros españolas…los origines del sistema '.

[2] Smelser, *Social Change*; Fishlow, 'Trustee savings banks'.

[3] Ó Gráda, 'An institutional import'.

[4] Compare Paine, 'Glasgow Savings Bank'; Payne and Davis, *Savings Bank of Baltimore*; Alter, Goldin, and Rotella, 'The savings of ordinary Americans'.

[5] O'Rourke, *History*, pp. 214-5; Smyth, *Ireland: Historical and Statistical*, III, p. 29.

[6] O'Shea, 'Thurles Savings Bank'; Ó Gráda, *Black '47*, ch. 4; *Thom's Irish Almanac 1850*, 195; *Thom's Irish Almanac 1851*, 264; BPP 1852b, 'Return of savings banks in the United Kingdom that have failed, stopped payment or been discontinued ' [HC 427].

[7] Fear of contagion and consequent losses to the National Debt Office may have been factors in it being kept open. C.f. *Report from the [Second] Select Committee on Savings Bank*, Appendix, 110; Anon. [W.H. Porter] 'Savings banks', 133.

[8] *Saunders Newsletter*, 11 May 1848, 19 May 1848; Porter 1848: 17.

[9] *Tralee Chronicle*, 8 April 1848.

[10] Anon. [W.H. Porter], 'Savings banks', 131.

[11] *Kerry Examiner*, 11 April 1848.

[12] *KE*, 28 April 1848.

[13] *FJ*, 3 May 1848; Tidd Pratt cited in *TC*, 13 June 1848.

[14] *Report of [First] S.C. on Savings Banks*, evidence of J.T. Pratt (Qs. 3760, 3765, 3776).

[15] Hansard 3rd ser. 104 (1849), 23-4.

[16] E.g. Dillon, *Banking in Ireland*, pp. 104-5.

[17] *Report of [First] S.C. on Savings Banks*, Q3776 (J.T. Pratt).

[18] *Hansard*, 104 (1849), 23, 34-5; *Report of [First] S.C. on Savings Banks*, Q3541 (H.A. Herbert).

[19] Tyrrell 1946: 45; *Freeman's Journal*, Sat 15 April 1848 (citing *The Southern Reporter*).

[20] Dillon, *Banking in Ireland*, pp. 105, 107.

[21] Ó Gráda and White, 'Panics of 1854 and 1857'; Kelly and Ó Gráda, 'Financial contagion'.

[22] Horne, *History of Savings Banks*, pp. 126-8.

[23] O'Shea, *Prince of Swindlers*; O'Brien, 'Sadleirs' Bank'; Hall, *Bank of Ireland*, pp. 229-31, 246-9; *FJ*, 19 February 1856, 22 February 1856, 5 March 1856.

[24] *Tipperary Leader*, 23 February 1856.

[25] ThSB trustees' minutes, 4 August 1855.

[26] ThSB minutes, 21 November 1858 and 18 January 1859.