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**From Region to Nation:  
Government Savings Banks in the Maritimes and Canada,  
1824-1900**

By

Dan L. Bunbury

Submitted in partial fulfilment of the requirements  
for the degree of Doctor of Philosophy

at

Dalhousie University

Halifax, Nova Scotia, Canada

March, 1995

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## Abstract

The intense period of philanthropic endeavour, the "Age of Improvement" of the late 18th century, prompted thinkers such as Jeremy Bentham and Thomas Malthus to foster ideas that became the progenitors of the first British savings banks, established in 1800-1810. By the late 1820's and 1830's notions of social reform and progress were expressed through more formal institutions like the asylum, poor house, penitentiary. During this time savings banks were founded in all the colonies of British North America and in the United States. The founding of Maritime savings banks exhibits the initiation and application of reform ideology through local actors and circumstances. They reflect the unique ways in which influential ideologies and movements were transplanted, adapted or maladapted to early colonial society.

Maritime, and later Canadian savings banks, were never simply institutions to improve the poor's lot while inculcating morality. Nor were they solely financial entities providing market driven monetary services. They were admixtures of two competing tendencies. To address the human factor in the institutional equation several groups of depositor data were assembled and analyzed. The resultant information on occupation, age, location and account size, in conjunction with other sources, was used to identify the major components and trends of the savings bank clientele in various towns and cities for both pre- and post- Confederation periods.

This study seeks also to extend temporally existing frameworks used to analyze colonial financial policy. The structure and organization of the savings banks predates responsible government. In Nova Scotia much evidence exists to suggest that public development was an important part of the savings bank agenda as early as the 1830's. In both Nova Scotia and New Brunswick "conservative" and pre-responsible government administrations moved to increase the deposit base and administrative efficiency of savings banks. This suggests that certain assumptions about the timing and nature of colonial finances stand in need of revision.

During the federal era, savings banks played a key role in the development of the Canadian Pacific Railway. This has important regional repercussions since after Confederation the Maritimes were relatively over-burdened with savings banks. To the extent that the allocation and price of credit were distorted, small, regional banks especially were adversely impacted. Thus as a federal policy savings banks might be viewed as a structural impediment that hindered the development of Maritime capital markets.

By 1890, the function of savings banks in Canadian society had come to reflect their original purpose, i.e. acting as a safety net and/or educative body, rather than as an aid to development. Now penny savings Banks, inspired by late 19th Century scientific charity and 'Social Purity' ideas, received the sanction of governments who preferred indirect intervention over direct aid or relief.

## Acknowledgements

The original impetus for this study I suppose goes back to Colin Howell's senior seminar class at Saint Mary's University where a guest, J.D. Frost, suggested that there was quite a lot of "stuff" about the government savings banks in Canada that had yet to be investigated. Taking that as my cue for a thesis topic I then proceeded to write a modest study of the Halifax Savings Bank before Confederation. From that initial endeavour sprang this one broader in scope both temporally and spatially. Thus I should thank the staff's at the Dalhousie University Archives, the Public Archives of Nova Scotia, the Provincial Archives of New Brunswick, the National Archives of Canada, the New Brunswick Museum in St. John and the United Church Archives and Presbyterian Church Archives both in and around the University of Toronto. Crucial as well was the generosity of Dr. Daniel Hickey of the Universite de Moncton who shared his research on Moncton businessmen.

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## Introduction

Writing an institutional history, inevitably, involves the task of weaving together many threads. Because of this complexity, assessments of an institution's historical legacy are often shallow and unrewarding. Sometimes authors are constrained by the dictates of the institution itself or are uncritical boosters of the organization. At other times, writers miss the complex and subtle issues because they have an ideological axe to grind. Thus, many are either panegyrical treatments of the institution's role, its founders and elites or scathing and critical denouncements of the institutional elites', corruption and waste.

Elegiac histories of the first type spend too much time focusing on the leaders of institutions. These "political" works tend to become litanies of great leaders succeeding each other, making wise and timely decisions. The flow of events is telic, punctuated by the odd crisis and scandal always resolved satisfactorily. While this approach boils history down to an skeletal framework easily managed, it ignores the important "human" element. Institutions are, after all, created to serve or act upon large populations. People, sometimes numbering in their millions, interact daily with institutions. This reductionism leaves the reader, with a stilted, top-down exposition which is often 'dryasdust'.

The second style, frequently of a revisionistic bent, is often as ideologically rooted as the first, but from the opposite extreme. Just as a blithe belief in a good and natural progress unfolding to reveal an architectonic history repels the rational

or informed reader, so too does the conviction that any institution is totally corrupt, always wrong or worth nothing. Certainly aims and programs of many institutions have become de-railed and side-tracked over time to the point where they are no longer recognizable, but that does not mean that at some point they were not worthwhile or that no useful function still remains. Portraying the common person, or society at large, as dupes or victims may say little about the people who used the institution or why the institution faltered.

Many savings bank histories suffer from one or the other of these failings so writing the history of the government savings banks in the Maritimes presents a challenge. It encompasses a long span of time, 1800-1900, that witnessed some of the most momentous changes in western civilization. On the broad front, industrialization and urbanization worked their transformative magic on societies everywhere. In British North America, colonies underwent their peculiar political and economic changes. Much of the task will be to elucidate how the savings banks fit into and affected those changes. A substantial part of the story, then, will be of necessity about how politicians, trustees, and other influential leaders founded and administered the savings banks.

The savings banks also have a strong human dimension. During the nineteenth century they served thousands of men and women from varied walks of life and areas of the region. Their use of the bank was predicated upon reform movements and a thrift ideology whose importance and sweep scholars are still debating today. Clearly, it is important to have an understanding of why they used

the savings banks, of what they thought was important and useful about them. Their story, more the stuff of social history than state finance or elite politics, must also be told and integrated into the whole piece.

Central to the construction of this work then is a thematic tension between the "social" and the "financial" aspects of the savings banks. Maritime, and later Canadian savings banks, were never simply institutions seeking to improve the lot of the poor while inculcating them with morality. Nor were they ever solely financial entities providing capital for governments or market driven monetary services. They were complex admixtures of these two sometimes competing, sometimes complementary tendencies. While the proportions and relative importance of these two strands changed over time they remain interwoven throughout.

The historiography of savings banks begins well before their actual founding. Thinkers such as Rev. Thomas Malthus, Daniel Defoe and Jeremy Bentham proposed saving bank ideas in various guises as a way of dealing with the then pressing problems of poor relief and pauperism.<sup>1</sup> As savings banks proliferated and received legislative sanction in 1818 essays and pamphlets dealing specifically with their promise and problems began to appear.<sup>2</sup> For the rest of the century

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<sup>1</sup>Daniel Defoe published his plans for a 'Pension Office' in his Essay on Projects in 1697. Bentham submitted his plans to the Annals of Agriculture in 1797, while Malthus propounded his in his 1798 work, Essay on the Principle of Population. See Lionel Robbins, The Theory of Economic Policy in English Classical Political Economy, (London:Macmillan & Co., 1952), P.H.J.H. Godsen, Self-Help, Voluntary Associations in the Nineteenth Century, (London:B.T.Batsford, 1973).

<sup>2</sup> For example Annals of banks for savings, containing an account of their rise and progress, reports and essays on their national importance, their constitution etc., particulars of their earliest institutions, and every detail connected with their management under the late act of parliament; together with reports



commentators on political economy by turns praised and critiqued the savings banks of Britain as they evolved through several legislative changes.<sup>3</sup>

For the most part, modern historiography has portrayed savings banks as either philanthropic institutions tied to the reform movements of the early nineteenth century or as bland financial intermediaries playing a supporting role in a wider financial universe dominated by more complex, larger organizations. The modern British work on the English trustee savings banks is of the first type.<sup>4</sup> Oliver Horne examines the deep roots that the savings bank movement had in the eighteenth century, the first experiments, the first legislation and concludes that overall they were a good thing, a benefit to the working-classes. An exception to the English preoccupation with the social origins and functions of the savings banks is the technical study performed by the American economic historian, Albert Fishlow, on the English savings banks.<sup>5</sup>

and communications from more than sixty institutions in Great Britain and Ireland. (London:Richardson, 1818).

<sup>3</sup>Arthur Scratchley, A practical treatise on savings banks, containing a review of their past history and present condition, and of legislation on the subject, with an exposition of the measures required for their complete re-organization, and for placing them on a sound financial basis, (London: Longman, Green, Longman & Roberts, 1860); William Lewins, A history of banks for savings in Great Britain and Ireland, including a full account of Mr. Gladstone's financial measures for post office savings banks, government annuities, and government life insurance. (London: S.Low, Son & Marston, 1866); Sir Edward William Brabrook, Provident Societies and Industrial Welfare, The Victorian era series, (London:Blackie, 1898).

<sup>4</sup>See H. Olive. Horne, A History of Savings Banks, (London:Oxford University Press, 1947). Horne's A History is the widest read and provides a workmanlike account of the background and history of the banks into the twentieth century.

<sup>5</sup>Albert Fishlow, "The Trustee Savings Banks, 1817-1861," Journal of Economic History 21 No.1 (March, 1961). Fishlow provides quantitative evidence based on linear regression analysis that English Savings Banks were less than stellar in amassing working-class funds.

Modern histories of American savings banks first appeared during the early twentieth century. Most were tintured with the Progressive ethos and so tended to be more 'scientific' and argumentative as they sought to reform and impart knowledge on savings banking.<sup>6</sup> As well, another form of U.S. savings banking, the Postal Savings Bank received the Progressive cure.<sup>7</sup> This disseminative urge continued for many years and spilled over into government publications as savings deposits became universal throughout the banking industry.<sup>8</sup> By the 1920's and 1930's many U.S. savings banks were marking centenaries, spawning a host of "commemorative" paeans to the savings bank founders and movement.<sup>9</sup>

Not until well after the end of World War II did the academic interest in American savings banks approach the level reached during the Progressive years. By then savings bank studies had fallen firmly into the orbit of economic history, if not straight economics. Often little attention was paid to the early issues of philanthropy and poor reform probably because savings banking, as it evolved into the modern "thrifts" or savings and loans institutions, had become firmly identified

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<sup>6</sup> Edward L. Robinson, One Hundred Years Of Savings Banking, (Savings Bank Section, American Bankers Association, 1917); James Henry Hamilton, Savings and Savings Institutions, (New York: MacMillan, 1902). An exception to this was the more "English" Emerson Keyes, A History of Savings Banks in the United States, (N.Y.:Bradford Rhodes, 1876).

<sup>7</sup> Edwin Walter Kemmerer, Postal Saving. An Historical and critical study of the Postal Savings Bank System of the United States, (Princeton:Princeton University Press, 1917).

<sup>8</sup>William G. Sutcliffe, Savings Banks and Savings Department Management, First Edition, (N.Y.:Harper, 1930); Notes of the Postal Savings Banks of Leading Countries, U.S. National Monetary Commission, (Washington:Government Printing Office, 1910).

<sup>9</sup>For instance W.D. Orcutt's The Miracle of Mutual Savings: As Illustrated by One Hundred Years of the Bowery Savings Bank, (N.Y.: The Bowery Savings Bank, 1934).

with the "financial sector" since the end of the war.<sup>10</sup> At the same time however, given their historical development, a preference to analyze the history of savings banks in evolutionary terms which envisioned a slow, gradual maturation from a philanthropic entity to a species of financial intermediary, was starting to emerge.<sup>11</sup> By the late sixties this had become the predominant mode of writing savings bank histories.<sup>12</sup> Olmstead's New York City is good example of a balanced work which analyzed both the philanthropic origins of the New York banks and their role in financial markets and state enterprise.

Contemporary Canadian works concerning savings banks of the nineteenth century are few and far between. The Canadian Institute for Historical Microfilming (CIHM) provides eclectic glimpses into scandals in Canada and Nova Scotia, savings bank boosterism in thrift tracts and religious manuals, as well as analysis of federal legislation and policy.<sup>13</sup> The federal savings banks and post-

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<sup>10</sup>Alan Teck, Savings Banks and Savings and Loan Associations, (Boston: Little, Brown and Co., 1950); Joseph Aschheim, "Commercial Banks and Financial Intermediaries: Fallacies and Policy Implications," Journal of Political Economy Vol 67 No 1 (February, 1959). These are but two examples of an extensive body of similar efforts. An exception to this is the straight institutional history of P.L. Payne & L.E. Davis, The Savings Bank of Baltimore, 1818-1866, The John Hopkins University Studies in Historical and Political Science. Series LXXII. No 2. (Baltimore: The John Hopkins Press., 1956).

<sup>11</sup>P.L. Payne & L.E. Davis, "From Benevolence to Business: The Story of the Two Savings Banks," The Business History Review, Vol XXXII 4 (Winter, 1958):386-397.

<sup>12</sup> Alan Olmstead, New York City Mutual Savings Banks, 1819-1861, (Chapel Hill: University of North Carolina Press, 1976); Weldon Welfing, Mutual Savings Banks: The Evolution of a Financial Intermediary, (Cleveland: The Press of Case Western University, 1968).

<sup>13</sup> "A Few Words on the Savings Banks...." (1884); "Montreal and Provident Saving Bank" (1851); Thrift by S. Smiles (1876); "Banking in Canada" (ca. 1900); "Savings Bank Act" (analysis, 1891); Ad for Home District Saving Bank (Toronto, 1830); Rules of P.O. Saving Bank (1885); "What Shall I Say?" (Religious training manual, 1887); Prospectus of Acadia Provident Assoc. (1873); "A Narrative of..." (Account of savings bank fraud at Annapolis N.S., 1895); "The Manchester Unity of Oddfellows Friendly Benefit Society...." by J. Erwin (Details on Halifax thrift situation, 1870).

office savings banks systems were also discussed in some depth by various government officers in the late nineteenth century.<sup>14</sup>

Modern Canadian writing on savings banks does not begin until the post-war era and, not surprisingly, parallels the American trend.<sup>15</sup> One of the first sorties into the field was carried out by J.I.Cooper.<sup>16</sup> Although the article had little to say about financial aspects and dealt mainly with the philanthropic era before Confederation, its appearance in a banking journal places it in the financial milieu. Actually it was a "human interest", piece probably put in to relieve the usual ennui occasioned by banking literature.

Longer, more analytical pieces eventually appeared in major economic history works.<sup>17</sup> These works however were concerned with tracing the overall

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<sup>14</sup> "Dominion Government Savings Banks" by T.D. Tims, "The P.O. Office Savings Bank System of Canada" by J.C. Stewart, J. Maclellan's "A Sketch of Canadian Finance" are all from Canadian Economic Papers, 1884.

<sup>15</sup>One Canadian writer of the Progressive era who might have commented on the savings banks but who appears not to have was Adam Shortt, an economist at Queens University. For instance his lengthy essays on the Canadian banking and currency published in the Journal of the Canadian Bankers Association between 1897 and 1900 make no mention of the savings banks.

<sup>16</sup>John Irwin Cooper, "Some Early Canadian Savings Banks," Canadian Banker 57 (Spring,1950):135-143; see also his "Origins and Early History of the Montreal City and District Savings Bank, 1846-1871," Canadian Catholic Historical Association, Report (1946):15-18; An official history of the Montreal City and District also appeared that year, T.T. Smith, The First Hundred Years, (Montreal:1946).

<sup>17</sup>E.P. Neufeld, "Savings Banks" chapter in The Financial System of Canada:Its Growth and Development, (Toronto: MacMillan of Canada,1972);E.P. Neufeld (Ed.), Money and Banking in Canada,(Toronto: McClelland and Stewart, 1964); E.D. Bond &R.A. Shearer, The Economics of the Canadian Financial System:Theory Policy and Institutions, (Scarborough:Prentice Hall of Canada, 1972). Two works, W.T. Easterbrook & H. Aitken's Canadian Economic History, (Toronto: Macmillan, 1958) and W.L. Marr & D.G. Paterson's Canada:An Economic History,(1980), do not mention savings banks at all. Newer general economic histories treat savings banks in much the same way. See K. Norrie & O. Douglas, A History of the Canadian Economy, (Toronto:Harcourt Brace Jovanovich Canada, 1991) -- a clear and concise work but it treats savings banks in only one table and that is borrowed from Neufeld's Financial System.

development of Canadian finance by investigating topics such as capital markets, institutions, government policy. Savings banks were usually analyzed parenthetically, as an ancient, relatively unimportant financial intermediary. Only Neufeld's work, The Financial System of Canada, devoted an entire chapter to savings banks. Neufeld, an economist with historical sensitivities, comes the closest to giving saving banks a good treatment but betrays his lack of enthusiasm for savings banks when he states: "The history of savings banks in Canada is interesting not because these banks have been important but rather because they have always been relatively unimportant."<sup>18</sup>

A few historians began to turn their skills to the Canadian savings bank in the mid-1980's.<sup>19</sup> They reacted to the cold financial calculations of the economic writers and injected a more seasoned analysis of the philosophy and ideology behind the banks' founding and administration. Naylor's work was an overview which captured the essence of the nineteenth century savings bank experience in each colony but because of its sweep got several details wrong, at least with the Nova Scotia bank, and throughout denigrated the often honest humanitarian interest of savings bank founders. Baldwin and Gill on the other hand stuck closely to the

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<sup>18</sup>Neufeld, The Financial System of Canada, p.140. Neufeld is an economist with Canada's largest bank, The Royal.

<sup>19</sup>R.T. Naylor, "The Rise and Decline of the Trustee Savings Banks in British North America," Canadian Historical Review LXV 4 (1984):511-541; D. Baldwin and H. Gill, "The Savings Bank of Prince Edward Island: Philanthropy and Self-Interest in the Nineteenth Century," Journal of Canadian Studies Vol. 20 No 4 (Winter, 1985-86):115-125. Although Naylor is not an historian his work on savings banks is an historical piece. A recent economic history of savings banks in British North America is D.G. Patterson and R.A. Shearer, "How did the Industrious Classes of Her Majesty's Government Learn to Save? First Generation Savings Banks in Lower Canada," Paper prepared for the 17th Conference on Quantitative Methods in Canadian Economic History, 1990.

"philanthropy to finance" theme in much the same fashion as the Americans Payne and Davis did with their "benevolence to business". At present, this is where the analysis of the ideological underpinnings of savings banks lies. Supposedly, as the state captured savings bank capital, the original moral uplift and educative justification of the banks fell away and they ended their days with a "financial" outlook.

As with any historiographical organization there are works that fall into a miscellaneous category. There are several important historical works that, while concerned with different subjects, touched strongly at times on the savings banks and will be made use of in this work. J.S. Martell, the gifted archivist at the Public Archives of Nova Scotia, prepared a study of early provincial finances in the 1940's that contains some valuable information on the Halifax Savings Bank.<sup>20</sup> J.D. Frost's work on the Bank of Nova Scotia deals with the relationship between that bank and the federal savings banks during the 1880's while R. Langhout by necessity included the savings banks in her integrated study of public finance during the era of responsible government in the Maritimes.<sup>21</sup>

In general a thin Canadian historiography begins only after the Second World War. There is no body of literature created by political economy

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<sup>20</sup>J.S. Martell, A Documentary Study of Provincial Finance and Currency, 1812-1836, Bulletin of the Public Archives of Nova Scotia (Halifax, 1941).

<sup>21</sup> James D. Frost, "Principles of Interest: The Bank of Nova Scotia and the Industrialization of the Maritimes" (M.A. Thesis, Queens University, 1984) and "The Nationalization of the Bank of Nova Scotia, 1880-1910," Acadiensis XII (Autumn 1982):3-38; Rosemarie Langhout, "Public Enterprise: An Analysis of Public Finance in the Maritime Colonies During the Period of Responsible Government" (Ph.D. Diss., University of New Brunswick, 1989) and "Developing N.S. Railways and Public Accounts, 1849-1867," Acadiensis XIV 2 (Spring, 1985):3-28.

commentators such as existed in nineteenth century England. While some works appeared around the turn of the century they were less formal and analytical than contemporary American writings on the subject. When Canadian work did appear, it at first tended to be supernumerary to the larger, and more important and exciting, job of describing and analyzing the Canadian financial scene and was performed more by economists than historians. Not until the early 1980's were a few attempts made to address this fact and these works in turn drew on the "benevolence to business" model that had emerged out of American schools. This model, though, is not particularly well suited to the long-term Canadian experience because Canada's savings banks never evolved into "thrifts" or savings and loans but instead, it is argued here, were only temporarily co-opted or seconded to financial demands of the state. Once the tasks at hand were finished the Canadian savings bank movement refocussed on its original concern with moral reform and thrift education. The main vehicles to express that agenda were now privately run charitable penny savings banks sanctioned, but not run, by the state. Canadian historians have never approached the savings banks from an institutional perspective that includes all the facets of institutional life -- the founders, the administrators, the patrons and the government -- and so in this way this work hopes to break new ground in several areas.

In keeping with this goal of attaining a full, balanced history, other themes besides the financial one are considered. Discussions and data on the depositors of the banks appear and reappear chronologically throughout the first six chapters. In

Chapters One and Two, the founders of the Nova Scotia and New Brunswick banks, their ideology and complexity of motives will be addressed. As well the social-economic context in which they and the savings bank idea operated is investigated. Then the state role of the savings banks in Nova Scotia and New Brunswick before Confederation is taken up in Chapter Three, Four, Five and Six. Chapters Three and Four address the patterns of development and organization between the banks' founding and the beginning of Responsible Government in Nova Scotia and New Brunswick respectively. In Chapters Five and Six, the same sort of discussion is taken forward for the years between Responsible Government and Confederation. Primarily these chapters will compare and contrast the role of the savings banks in the pre-responsible government finances of the two colonies. As well changes in their organization, personnel and clientele are discussed.

The last two chapters of the thesis are of a somewhat different ilk in that they treat separately the financial and social themes. The financial development of the post-Confederation savings banks is given an analysis in Chapter Seven. Now the role of the savings banks as a national system of capital accumulators based primarily in the Maritimes is confronted. Maintaining the institutional focus, the relationship of the banks to government finances, and private sector competitors such as the chartered banks, is explored in the context of regional and national economics.

Chapter Eight then turns attention to the depositors. Specifically it broadly investigates their social background, deposition patterns and saving strategies. This



chapter does not intend to serve as a detailed social analysis of the milieu from which it draws its data, namely Moncton, but rather relies on existing works from the social history genre that may help to illuminate the institutional story of the savings banks themselves. The statistics used are simple and descriptive and do not purport to justify the sort of definitive statements on society as a whole that may be achieved by more sophisticated analyses. This chapter seeks to ascertain the changes regarding the social background and occupational status of the depositors and how those changes tie into the changing nature of the economy and society.

Finally, a conclusion is provided that assesses the legacy of the savings banks, their ultimate fate heading into the twentieth century and, most importantly, suggests that the "philanthropy to finance" scenario needs revision to one that portrays a different end development that reflects a continuing interest in the moral eradication of poverty.

The methodology used to compile sources and write this thesis is of standard historical fare. Materials of the usual sort, government documents, letterbooks, journals from houses of assemblies as well as biographical files and newspapers were found at various provincial and federal archives. Being the "standard historical fare" these documents offer all the usual possibilities and pitfalls associated with them. The author recognises this and accepts the limitations imposed, there being no attempt to deconstruct or disentangle the documents from the context in which they were produced.

Of particular interest, however, are the sources used to build databases.

From the Post Office files came the signature books from Saint John and Halifax covering years 1836-1871. It is from these that six database files holding some 1,400 records have been constructed. Additionally, two related databases from the Fredericton Savings Bank (1836-1855) have been prepared with a total of 300 records. Most of these records contain occupational and locational data. They provide opening and closing amounts, and some biographical data.

The Moncton Savings Bank General Ledger, 1872-1885, was found in the Department of Finance records. From this a database containing around 800 records was compiled. Its fields are comprised of names, occupation, opening and closing amounts, length of duration and so on. From this group specific occupations such as clerks, servants, merchants and labourers were extracted and detailed files showing daily transactions were prepared. Finally, the merchants and businessmen included in these files have been cross-referenced with Dun and Bradstreet Credit Records from New York. This data is used in Chapter Eight.

A word must be said about the Moncton data. Because of the richness of the data from its savings bank ledger it is an attractive source. However, it is always dangerous to make generalizations from any one source about a whole region or country. This situation is made even more problematic when one considers that the Moncton of the late 1870's and beyond was undergoing a rapid industrialization due mainly to the presence of the Inter-Colonial Railway. This raises the question of whether the industrialization there, which is clearly reflected in the accounts of the savings banks, was part of a homogenous regional experience or was it, and by

association: the savings bank, a unique case?

Before answering that question it should be said that the Moncton data is used to highlight two interrelated, but separate issues. The first task is to use data to elucidate the depositor profiles and their frequency of use, to answer the same kind of questions asked of the pre-Confederation depositors to see what changes might have occurred. Using Moncton data here will require care, but can be managed. Moncton's quick industrialization was not unique. The same process took hold at different times in Sydney, Halifax, Pictou County, Truro and Saint John. Pockets of industry surrounded by rural environs, intersected by the sea, are what characterise Maritime industrialization. Indeed, this feature of Maritime demography, its decentralization and fragmentation, has become an integral component of the historiography of Maritime industrialization and its eventual decline. In general, the Moncton savings bank, with its mix of domestic servants, railway workers, nearby farmers, merchants and labourers was as "average" as any in the region and was not *sui generis*.

The second issue involves whether the federal government allowed the spirit of thrift banking to be perverted, especially in the Maritimes, in order to acquire capital. The data from Moncton is perfectly good for this purpose. It reveals depositors coming from varied backgrounds, many of whom had no business using the bank. Moncton is an example of a situation that commentators from Toronto to Halifax complained was occurring throughout the government's system of savings banks. Whatever unique features of Moncton's demography that may have existed

are, in this respect, irrelevant. Put another way – if some mythical Maritime city comprised 99 percent of millionaires featured a savings bank that allowed even one of those rich to patronize it then it was an example of the perversion of the spirit of thrift banking. This demographically blessed city, overwhelming populated by millionaires, would not need a savings bank, but if they had one, none of the rich should have used it.

Lastly there are documents collected from the United Church Archives of Canada pertaining to the Penny Savings Banks in Ontario during the period 1877-1910. They are interconnected with the Social Purity Movement and late nineteenth century moralism and illustrate the retrenchment of philanthropic ideas that occurred in the savings bank movement as the government was eased out by private sector pressure and internal reorganization.

Having outlined the themes and methodology of the work, a brief theoretical discussion of the ideological and socio-economic origins of savings banks movement and its place in the wider context of humanitarian endeavour is in order before discussing the actual founding of the banks. For many years, a debate has raged over the real purpose and intent of social reform, over the motivations of reformers and sources of their inspiration. Why did reforms take the shape they did, at the time and place that they did? This question is as relevant to the situation in the Maritime colonies as anywhere else, and as everywhere else, the social and ideological roots of reform there sprang from conditions created by the forces of modernity that arose at the end of the eighteenth century.

Indeed, the passing of the 1790's was no mere *fin de siècle*, since the dawning century heralded a wondrous, and frightening epoch. Modernity, in its 'second phase', was characterised by an increasing rate of technological change and an ongoing process of concentration and deployment of the capitalist mode of production, at first in its commercial and then industrial forms. Once unleashed, it penetrated, consumed and reshaped societies with implacable and irresistible certainty in a process both dialectical and paradoxical. While a steadily rising ability to produce goods for consumption was achieved, the spiritual and emotional basis of consumers was weakened and degraded. Furthermore, a system predicated on production and growth ensured both continual destruction and change as necessary and acceptable bases for modern creativity.<sup>22</sup> Modernity recast both the physical and mental landscapes of humanity. Natural and built environments underwent transformation, sometimes seemingly overnight. Modernity also embodied a new ethos of being. Social and economic behaviours, long defined by church, class and trade were by the late eighteenth century increasingly determined by one's place in the new labour/capital dichotomy. The middle-class, often seen as the standard bearers of modernity, believed the application of liberal economic and legal principles could create a world of material and cultural plenty. Under their newly-won hegemony new forms of law and property, government and society, had made possible vast accumulations of wealth and materiel. However, the negative consequences of this transformation prompted all classes, high, middle and low, to

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<sup>22</sup> Marshall Berman, All that is Solid Melts into Air, (Middlesex: Penguin, 1988), Introduction:13-56.

call for an amelioration of social ills and problems through the aegis of philanthropy, humanitarianism and, increasingly as the century wore on, state action. In Britain, the early spread of savings banks which occurred before the final dominance of liberal economic and legal principles arose highlights this analysis. In British North America the same pattern of development occurred. However, the earlier establishment of savings banks, along with a better developed middle class in Britain, meant that ideology and institutional forms were quickly imitated and adopted leading to a compressed and sometimes out-of-step historical development . Thus, by 1840 local elites might borrow an industrial morality rationale for savings banks from British commentators that had little relevance in pre-industrial Halifax or Saint John.

Many theories have been proposed to explain the rise of the humanitarian sensibility. Some commentators view it as a purely moral decision flowing from the natural, upward progress of human development. Others, sometimes labelled social control theorists, feel it arose out of the self-interest of certain classes who sought to increase their hegemony by creating institutions that would tend to stabilize the economy, ameliorate class divisions, or in the case of professions like medicine, increase the sphere and legitimacy of their knowledge-based arts. In histories of the savings bank, this tension finds expression as well. Were they one of the "great improvements which distinguish the modern age, ... whether viewed in a moral or political light," or were they simply " ... a social security institution..." emanating

out of naked self-interest?<sup>23</sup>

David Rothman, in his work on the asylum in Jacksonian America, cites material and social problems as the first causes for reform in an increasingly chaotic world but ultimately pays them little attention.<sup>24</sup> His book is primarily about ideas. Furthermore, while stating these ideas were held by "Americans", he fails to establish exactly who they were, so the term remains vague and amorphous. His analysis is unbalanced because it excludes actors and circumstances. Fearing economic reductionism, he fails to explain the economic roots of reform. While he rightly cautions that every reformer or humanitarian do-gooder may be improperly seen as "... a tool, conscious or not, of the economic system..." that is not a reason to avoid analysing the economic motivation of reform. Similarly, his warning that ignoring "...rhetoric and perceptions not fitting a production-orientated explanation..." excludes the analysis of other legitimate motivations is not a justification to overlook those self-same explanations. Rothman's criticisms are valid only if the economic approach is used too dogmatically.<sup>25</sup>

Other scholars dislike the tendency of social control theorists to reduce ideology to propaganda or lies. They present a modified social control theory

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<sup>23</sup> Sheffield Mercury, 1818, as quoted in Oliver Horne, A History of Savings Banks, (London: Oxford University Press, 1947), p.13 and R.T. Naylor, "The Rise and Decline of the Trustee Savings Bank in British North America," Canadian Historical Review, LXV, 4, 1984:511-541, p.513.

<sup>24</sup> D.J. Rothman, The Discovery of the Asylum: Social Order and Disorder in the New Republic, (Toronto: Little Brown and Company, 1971), p.xviii.

<sup>25</sup> Ibid. p.xvi. Rothman uses the terms 'conscience and convenience' which allude to the dual nature of reform motivation in his follow up book Conscience and Convenience: The Asylum and its Alternatives in Progressive America, (Toronto: Little, Brown & Co., 1980).

centred on explaining the use of ideology as unconscious self-deception rather than as an outright obfuscation of one's self-interest.<sup>26</sup> In this view, ideology is adopted by reformers to convince themselves that their actions were altruistic and moral when essentially they were self-serving and economic. Rhetorical statements are really overt actions disguising unconscious intentions. Historians can then free themselves from the uncomfortable position of always having to question the validity of reformers' aims while maintaining the explicative force of class interest. This analysis, while correctly acknowledging the interaction of material interests and ideology, ultimately leads unto slippery ground. First, the true ethical validity of reform action becomes ambiguous when self-deception is the basis of those actions. Secondly, can historians be sure that what they assert is a case of self-deception is actually self-deception? How can they safely reconstruct self-deceived intentions in someone's mind? Can they be sure that consequences believed to follow from these unconscious intentions are not merely unintended consequences of which the reformers were ignorant?<sup>27</sup>

Haskell's critique of self-deception and rejection of any link between the rise of capitalism and reform sets up his theory of humanitarianism. He asserts that the rise of capitalism, rather than simply meaning certain classes developed specific

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<sup>26</sup>William Muraskin, "The Social Control Theory in American History. A Critique," Journal of Social History, Vol.9 (Summer, 1976):559-569,p.566.

<sup>27</sup>Thomas Haskell, "Capitalism and the Origins of the Humanitarian Sensibility, Part 1," American Historical Review, Vol. 89, (April, 1985):339-361, p.349-351. In his critique of the class interest model, Haskell is taking issue mostly with David Brion Davis and his work on the origins of the abolition movement. Nonetheless, the implications of Haskell's thesis redound generally, as his title implies, to the questions surrounding rise of the humanitarian impulse. On the question of motivation see also Brian Harrison, "Philanthropy and the Victorians", Victorian Studies Vol IX No 4 (June,1966):350-370.



interests tending toward social control or hegemony, brought about a change in certain people's perceptions of causation and responsibility. He claims:

...it was primarily a change in cognitive style -- specifically a change in the perception of causal connection and consequently a shift in the conventions of moral responsibility -- that underlay the new constellation of attitudes and activities that we call humanitarianism.<sup>28</sup>

The instigation of this change in 'cognitive style' rested with the market economy's necessity for both promise-making and promise-keeping. The making and keeping of business contracts involved long and complicated procedures occurring over vast geographical distances. This led to a new view of causation that allowed for the transposition of moral responsibility onto a much larger and diverse field of action. The conventions of moral responsibility had changed. Men, or better yet 'market men', were no longer able safely to ignore the suffering of others because they now understood the causal consequences of their actions, or failure to act. The market had created a new technique or 'recipe' for intervention that had not existed before.<sup>29</sup> This leads him to surmise that the market was most important "...as an agent of social discipline or of education and character modification," and stresses " ...the autonomous power of the market to shape character."<sup>30</sup>

Haskell's thesis that the market created humanitarianism on a wide scale

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<sup>28</sup>Thomas L. Haskell, "Capitalism and the Origins of the Humanitarian Sensibility," American Historical Review Vol. 89 (April, 1985):339-361,p.342.

<sup>29</sup>Haskell, "Capitalism and the Origins of the Humanitarian Sensibility, Part 2," American Historical Review, Vol 90, (June, 1985):547-566, passim.

<sup>30</sup>Ibid., p.550.

ignores the *raison d'être* of market discipline and control -- to make more money. Call it what you will -- greed, profit, self-interest -- the 'freedom' of the free market is nothing if not freedom to profit. The market was **praised** because it instilled discipline and control, but the market was not **created** to instill those ideas. Institutions, like savings banks, that exposed the individual to market conditions were created to accomplish that. And just who were these 'market' men and women? Were they only the abolitionists or were they all 'Americans'? Although Haskell sets his sights on the rise of abolitionism, as his title clearly suggests, he soon expands his scope to include "...other humanitarian reforms...." His analysis however, works better for explaining anti-slavery sentiments than it does for other humanitarian endeavours.<sup>31</sup>

If the market did not make people feel guilty about starving paupers, it also did not make them feel guilty about the insane, the criminal or the sick. So what in fact are the "other humanitarian concerns" created by the market mentality? People, especially those who placed importance on the poor's environment, did feel guilty about paupers, at least the deserving ones. Furthermore, and importantly, they were afraid of the dangerous, undeserving type. Fear and belief in the moral perfectibility of man, accompanied by self-interest, led to humanitarian reforms. As the century wore on only reactionaries preferred to explain pauperism as

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<sup>31</sup>This flaw is evidenced by an example he uses to show how an abolitionist eschewed passivity after becoming sensitized to the plight of the slave. Slavery, according to this abolitionist, was an artificial construct, created by, and hence destroyable, by man. Once you knew this, it was immoral not to act. Pauperism on the other hand was "providential"; it was the nature of the world. Slavery involved guilt, pauperism did not. *Ibid.*, p.557.

providential and leave the problem to individual charity.

This dichotic model poised between the two extremes of moral right and naked self-interest is merely a theoretical straw man to be knocked down. Self-deception through ideology may have indeed occurred. Reformers may have indeed genuinely thought that their actions were "good" but still not see that they failed to address problems in a fundamental way. They usually did possess an idea of intended consequences, or perhaps a set of them. If they did not speak truly their set of intended consequences were covert and different from their overt statements. While Haskell and Muraskin point to some fundamental problems with both the social control theory and the epiphenomenal view that reform was contingent upon the birth of the middle class during industrialization, the historian, still, cannot escape the thorny task of assigning weight and validity to one motivation or another. The judging of the moral and social claims of reformers must be attempted by historians to the best of their ability on a case by case basis.

The answer to the question of wherefore a humanitarian sensibility, however, does indeed lie within the growth of the liberal, market economy of the early nineteenth century. Humanitarianism was a real force that existed separately from the rise of the middle class, it was not epiphenomenal with their rise to power. However, neither did it depend on the market to create new techniques or 'recipes' for its development; it was instead part of a response exhibited in different ways, at different times, and by different classes, to the creation of society, where the economy became the dominant fact. Specifically, I mean this. If the new free

market was indeed not 'self-regulating' but rather was subject to continual and devastating dislocations that threatened its own existence and with which it was unable to cope, then it is possible to view many of the legislative reforms that occurred simultaneously with industrialization as performing a protective function.<sup>32</sup> Society sought, through private organizations and the state, to protect itself from the worst excesses of the market brought about by its inherent contradictions. This view of reform and social change allows for the re-occurrence, time and time again, of new forms of accommodation brought about by one or more classes often in antagonistic positions.

The foregoing analysis may be applied to early nineteenth century British North America. Although there was no local industrial revolution underway, the sheer magnitude of dislocations in Britain, along with the growing power of the market in the colonies, evoked a protective response. Judith Fingard details four basic reasons for the appearance of poor relief reform in the three principal Maritime towns during the nineteenth century, the most pressing of which was clearly protective. This was the dire situation caused by rising pauperism. The end of the Napoleonic wars conjoined with capitalistic dislocations created both a business recession and an influx of poor into the Maritimes, Second, the "tender consciences of local citizenry, spurred on by their religious representatives, aroused pity and action. Third, civic pride in institutional and organizational development,

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<sup>32</sup> Karl Polanyi, The Great Transformation, (Toronto: Rinehart & Co.,1944), Chap. 12, " Birth of the Liberal Creed". Not to be confused with the coercive notion of the 'caretaker function' where institutions were coercive arms of the market.

in an era of increased humanitarian philanthropy, required that no town should fall behind the other. This and imitation of the wider North Atlantic world ensured that reform would be emulated and attempted. Finally, class interests recognised that the stability of the community, and their access to cheap labour, were crucial and compatible goals best realised if provisions were made for the maintenance of the labouring poor encountering seasonal or personal distress.<sup>33</sup>

Fingard's framework resembles the one proposed here in that, along with acknowledging class interest, it recognises the existence of an awareness of the ideological currents of the day among the elites of the Maritimes. She states that townspeople "...considered the existing forms of poor relief outdated and unprogressive." <sup>34</sup> However, she feels that local elites emulated and imitated reform practices rather than really internalizing its ideology. Specifically, Fingard detects an "unsympathetic colonial mentality towards philanthropy in general" between the years 1813-1825. According to her, notwithstanding the fact that there was an introduction of reform discourse from abroad which provoked an "...intellectual debate on moral obligation...", the colonies had

...insufficient local commitment to ...sustain the momentum which transient agents produced. (T)he colonial mentality was singularly parasitic and the colonists themselves failed to rise fully to the challenge of charitable and amelioration projects. Colonial society had not reached the level of maturity achieved in the New England states, where citizens considered that for moral or humanitarian

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<sup>33</sup>Judith Fingard, "The Relief of the Unemployed: The Poor in Saint John, Halifax, and Saint John's, 1815-1860," in Stelter, G.A. and A. Artibise, The Canadian City: Essays in Urban History. (Toronto: Macmillan Co., 1979):341-367, pp.342-344.

<sup>34</sup>Ibid., p.343.

reasons the less fortunate elements must be rescued from their plight or folly.<sup>35</sup>

This reduces reform initiation to an exercise in imitation. Reform in general is seen as based on parasitic self-interest and until the 1840's at least, a general failure. True, in the constrained, limited horizons of early nineteenth century colonial life this social meanness was present. Many non-partisan institutions did fail. Yet, is it safe to degrade the role of ideas of social reform in such a fashion? Impetus for social protection came from different groups in society, not just the middle class. Indeed in Britain, it was often first articulated by classes not normally associated with active and ideological support of the liberal, laissez-faire economy -- the landed gentry and later the organised working classes. In British North America the same pattern exists. There, early savings banks were creations first supported by some, more out of a sense of humanitarian, philanthropic *noblesse oblige* and fear, than out of any heartfelt identification with middle class, liberal values. In British North America, early savings bank trustees were predominantly merchants and/or bankers, a group not noted for its support of responsible government, social mobility or worker's rights. Their humanitarian interest intended to support class deference while maintaining a threatened social stability. They stood to gain, but so did everyone if they were successful in reducing the poor

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<sup>35</sup>Judith Fingard, "English Humanitarianism and the Colonial Mind: Walter Bromley in Nova Scotia, 1813-25," *CHR*, LIV 2 (June, 1973):123-149, p.150. For a view that posits a well-developed and distinct "Nova Scotian" culture and character exhibiting a peculiar response to local problems during the years 1815-1848 see D.C. Harvey's "The Intellectual Awakening of Nova Scotia," and "Nova Scotia Philanthropic Society," both in *The Dalhousie Review*, Vol 13 (1933-34):1-22 and Vol 19 (1939-40):287-295 respectively.

rates. At the same time they could pad the ledgers of their merchant banks into which savings banks funds would eventually flow. Their humanitarian rhetoric concerning savings banks reflected a specific vision for the social order and development of a young country. Appearing frequently, and drawing on a rich, sophisticated supply from the wider world, this rhetoric is important regardless of its success at one point or another in transforming itself into reality. Circumstances constrained the ideas, but the ideas themselves are of significance.

Analysis of Victorian reform in the Maritime colonies is a three ball juggling act. An understanding of what reform was, in both its ideological and material forms, is necessary. The flow of ideas, issues, and rhetoric from metropolitan centres into the colonial world must be traced. As well, the interaction of these ideas with purely local issues, concerns, personalities and idiosyncrasies is important. Together they tell the story of reform as it unfolded in those unique circumstances. Care must be taken to properly focus the lens of local politics and cultural development. Failure to do so results in a distorted picture of reform.

An example of such distortion is R.T. Naylor's work on the trustee savings banks in British North America.<sup>36</sup> He postulates three reasons for the creation of savings banks in Britain and North America. They were a political response to societal unrest caused by unemployment and hunger. The poor, through the bank, would become stakeholders in the system and thus less likely to upset it. The banks performed an ideological function by inculcating industrial morality among

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<sup>36</sup>Naylor, "The Rise and Decline"

the poor. A social purpose was also served through the banks' alleged ability to provide worker's nest-eggs which would obviate the need to rely on middle-class funded charity or institutions.<sup>37</sup> While Naylor's argument seems to encompass the central ideas of the 'protective function' mentioned earlier it rather cynically fails to allow for the possibility of genuine feelings on behalf of the elite and for the ability of the poor to make class specific use of the banks on their own.

All the functions he iterates fall under the rubric of class interest or class hegemony and ignore or dismiss the possibility that elites felt any moral responsibility or genuine sympathy for the poor. The notion that ideology consisted of "customary platitudes", something to be used, at best as a form of self-deception, or at worst as a smokescreen, is not, generally, correct. Suspicions about elite motivation, based on instances of personal financial gain, mainly in Lower Canada, do not prove that the intended consequence of their actions was always, or only, pecuniary or class gain. The creation of the savings banks, the reality, depended a great deal on the nature of political and humanitarian discourse, the ideological currents of the day and the notions of the social leaders such as Lieutenant Governors. Similarly, although the subsequent development of the banks depended more on political power "...that transcends and molds markets..." than "...the dictates of autonomous market forces...."<sup>38</sup>, this political power, whether wielded by private economic interests lobbying for gain, or the state itself,

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<sup>37</sup>Ibid.,p.513.

<sup>38</sup>Ibid., p.512.



is shaped by and expressed through an ideological lens. Government policy evolved in ways that were based, at least in part, on some sort of ideological framework. Naylor views the ideology as self-serving and narrow but it may have in fact been initially community-oriented and generous.

The officeholders, mercantile traders and bankers who dominated colonial affairs until 1840 were steeped in eighteenth century notions of business and politics. Their rationale for the savings bank was not the same as that of the emerging middle class in that they often held a different vision of colonial development. A distinction must be made between the two classes. Naylor correctly points to motivations based on concerns for societal stability but fails to discern the emergence of different agendas and the role of ideology in those programmes. 'Aristocratic' visions of an agrarian society in the Maritime colonies, and the role the savings banks might play in fashioning it, are never mentioned.

Notwithstanding this debate over the nature of local humanitarianism in the Maritime colonies, there is no doubt that potential founders and boosters of savings banks were influenced by examples elsewhere. Britain, naturally, was the source most emulated. The first trustee saving bank had been founded there in 1810 by a Scot, Rev. Henry Duncan at his parish in Ruthwell, Dumfreisshire in 1810.<sup>39</sup> Because the rules he drew up were very complicated and intrusive, the type of savings bank that evolved a bit later in Edinburgh proved to be the more successful model in the long run. They were run by bankers and trustees often right out of a

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<sup>39</sup>Horne, A History, p.43.

chartered bank premise. Edinburgh style banks were easier to withdraw money from and did not enquire so closely into the habits and morals of the depositors. Basically, savings banks were to function as a safe haven for very small sums of money. The class of depositor aimed at supposedly did not have the investment know-how or the funds to use a commercial bank. Furthermore, not until the 1870's were commercial banks interested in savings deposits per se on a large scale. Saving banks filled a need that the existing friendly societies, although they promoted self-help and saving, were not able to meet fully. Although the spread of these savings banks was hindered in England and Ireland by the lack of branch banking and the Poor Laws, by 1817 there were eighty savings banks in England.<sup>40</sup>

1818 witnessed the passage of the first national savings bank bill in the British parliament. This bill gave legal sanction to hundreds of banks that already existed, mostly in Scotland. It set two important precedents that were followed, and modified, in both the U.S. and British North America. The banks were to be run by honorary trustees who gave freely of their time and effort. They would be local, civic-minded people who as trustees would be fiduciarily liable for all funds invested with the institutions. The surplus funds amassed in these banks could be invested in, but not guaranteed by, government backed vehicles. In the England this was accomplished by investing the deposits in government debentures paying an attractive rate of interest.<sup>41</sup>

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<sup>40</sup>Ibid., pp.47,52.

<sup>41</sup>Ibid., p.77.

By 1818 there were 465 savings banks in Great Britain. However, these banks had critics who thought they attracted a too well-off class of depositor and that they cost the government too much. Radicals attacked them for being a misdirected policy initiative. This dissatisfaction and various defalcations ultimately led to the creation of Post Office Savings Banks in 1861 under the Gladstone Administration. These banks quickly surpassed the trustee savings banks in deposits and depositors, so that by the 1880's British trustee savings banks were clearly a secondary player in the savings deposit field.<sup>42</sup>

American elites worried about their own poor relief question emulated the British trustee savings banks system almost immediately. By 1819 there were trustee savings banks in New York, Baltimore, Salem, Boston, Philadelphia, Hartford and Newport.<sup>43</sup> The term "mutual" began to come into use since these banks paid out surpluses, dividends above the flat interest rate, to the depositors.<sup>44</sup> Most banks suffered only loose regulation and so defalcations were not uncommon. In the New World two major differences in savings bank theory developed. Given the looser notions of class and occupation, it was possible for the term "capitalist" to be used to describe what a lowly worker could become if he amassed even small sums in a savings institution. This was something never envisioned in Britain. Furthermore, the state in North America, besides assisting in the saving of capital, also collected it

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<sup>42</sup>Fishlow, "British Trustee Savings Banks," pp.38-39.

<sup>43</sup> Olmstead, New York City Mutuals, p.7,9-10.

<sup>44</sup>Welfing, Mutual Savings Banks: The Evolution, pp.10-11.

early on to fund capital projects. New York State led the way regarding state accumulation of funds with its ambitious plans to finance the Erie Canal in part by channelling savings bank deposits into government bonds sold specifically for that puprpose.<sup>45</sup>

Like the Scottish banks, many U.S. commercial banks began to 'sponsor' savings banks, sometimes on their premises, as a way of acquiring capital for their banking activities and personal use. This access to cash provided a collateral motive for people to become trustees and had its analog in British North America as well. However, by the end of the Civil War honourary trustees were becoming outmoded. The growth in size and complexity of mutual savings banks, along with American capital markets in general, necessitated the hiring of professional, full-time staff to oversee the investment of funds and growing loan portfolios.<sup>46</sup> As trustee savings banks evolved into Savings and Loan institutions that competed fiercely with each other for mortgage business there was little room for amateur humanitarians.

Trustee savings banks appeared in the Canadas early in the nineteenth century. Like their counterparts elsewhere they operated privately with charitable objectives and often were associated with commercial banks. The Montreal Savings Bank, founded in 1819, was intimately linked with the Bank of Montreal while the

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<sup>45</sup>Olmstead, New York City Mutuals, p.96.

<sup>46</sup>Mortgages loans had been allowed by 1830's; call loans in the 1850's. In 1853 directors of private banks were banned from holding trusteeships. Olmstead, New York City Mutuals, pp.18-19; Payne & Davis, The Savings Banks of Baltimore, pp.98-113; Welfing, Mutual Savings Banks, p.11-12.

Quebec Savings Bank started in 1821 was tied to the Quebec Bank.<sup>47</sup> The first legislative provisions in Lower Canada were passed in 1832 and were modelled largely on the 1825 New Brunswick act which had sanctioned the first trustee banks begun there in 1824. Thus the trustees there, as elsewhere, were permitted a large discretion regarding the investment of funds deposited in the bank.

With the reorganization of the Canadas in 1841 the Lower Canada law was re-enacted for the new province. The act which permitted trustees to invest the deposits entrusted to them in basically two areas -- government debt and public securities or chartered bank shares -- ultimately led to three new savings banks.<sup>48</sup> Most important were The Quebec Provident and Savings and the Montreal Provident, both founded in 1841 and the Montreal City and District which took over from the Montreal Savings Bank in 1846.

Unfortunately a serious scandal at the Montreal City and District in 1848, stemming from the panic of 1847 shook the provincial financial markets. That particular savings bank was a creation of the Bank of Montreal whose directors never evinced a serious concern for the safety of the depositor's money. When illegal commercial loans and illegitimate promissory notes lost value in depressed markets and legitimate depositors withdrew needed reserves, the savings bank's poor

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<sup>47</sup>Naylor, "The Rise and Decline," p.529.

<sup>48</sup>Naylor believes that this new twist was an attempt to both bolster commercial banks hit by the panic of 1837 and channel money to a cash starved government trying to pay off the Welland Canal debt. "Rise and Decline," pp.530-532. See also Cooper, "Some Early Canadian Savings Banks," p.141.

liquidity position was exposed.<sup>49</sup> This was the only failure before Confederation in Canada however until the Saint Roch Savings Bank failed in 1865.

A commission of enquiry and distrust of the system led to a new act in 1855 which required stringent oversight as well as forcing existing and new banks to incorporate with a capitalization of £100,000 cy. The act did not result in much change since the old, remaining trustee banks were not required to incorporate. This failure to implement the new regulations allowed the old institutions to maintain the status quo and so little impetus to create new savings banks was generated. By 1867 there were only six saving banks in Canada compared to the 23 building societies which often featured their own savings bank departments.<sup>50</sup> Building societies, along with the mortgage loan companies, competed for the funds of working-class people targeted for home ownership with increasing effectiveness by the 1870's.<sup>51</sup> Five out of the six savings banks were physically large and located in the downtown city centre of their respective locales, facts not conducive to working-class depositors who often mistrusted their superiors and lived in the growing working class districts some distance away. With the repeal of the old act of 1855 at Confederation a legislative vacuum existed until the first Bank Act of

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<sup>49</sup>Naylor, "The Rise and Decline," pp.536-538. A lengthy investigation exposed incredible deceit on behalf of the directors and their illegitimate, wealthy depositor friends who plundered the bank's assets first and left the working-class depositor being paid 20 cents on the dollar.

<sup>50</sup>Year Book and Almanac of 1868, (Montreal: Lowe & Co, 1867), p.64. There were two building societies in Halifax and one in Saint John and none in P.E.I. and Newfoundland.

<sup>51</sup> It was suggested that "building society" was a misnomer in that many organizations that used the name had actually abandoned house mortgages in favour of farm mortgages. See Yearbook and Almanac of Canada, 1870, pp.9-10.

1870-71. Then the six remaining savings banks were given three options: incorporate themselves, merge with a chartered bank or wind-up their affairs. Only one, the Montreal City and District, remained active as a trustee saving bank in 1871.<sup>52</sup>

One last institution that needs to be mentioned is the post office savings bank. With Confederation, the federal government initiated post office savings banks in the provinces of Ontario and Quebec. Based closely on the British model these institutions melded the spatial sweep and organization of a post office with the guarantee of the government. Deposits were accepted by the local postmaster and paid out by money orders from the head-office. These banks began to predominate in the Maritimes after 1885 when a policy of substitution of the Post Office system for the Dominion Government Savings Banks was adopted.

The story of savings banks in the Maritimes, then, begins with a survey of the actors, circumstances and policies that began to coalesce around 1815 and which eventually led to the creation of the first institution in 1824. Ideological tenets concerning thrift and industry, while reformulated throughout the nineteenth century, will remain part of the story until the end. Similarly, the early concerns with finding money, always a problem in frontier economies, will endure as part of the story as well, looming larger and larger as the state became preoccupied with its financial concerns. Furthermore, the state's social agenda evolved into new constructs of social amelioration such as factory legislation and insurance schemes,

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<sup>52</sup>Savings Bank Returns in Yearbook and Canada Almanac, 1872, p.227.

making what thrift rhetoric it had seem rather empty. Still, it is somewhat amazing that as the state's role in the thrift banking sector declined by 1890, private groups and organizations were picking up the torch and in the process recasting the ideas and words of the early boosters in eerily similar forms that might have indeed passed *au curreant* in 1820. The poor still needed to defer when offered charity, they still failed because their moral fibre lacked starch, and, they still needed to be shown, if not forced, to save their money.



# Chapter One

## The Governor's Desire

### The Founding of New Brunswick's Savings Banks

The first savings bank founded in the Maritimes was the Soldier's Savings Bank, opened for the garrison in Fredericton in 1824.<sup>1</sup> The moving force behind it was Lieutenant Governor Howard Douglas, an enthusiastic supporter of savings banks.<sup>2</sup> He represented a minority of British Army Officers sympathetic to the difficult circumstances of the enlisted men. They viewed the development of civilian savings banks as a philanthropic endeavour that should be available to soldiers. Like other humanitarian-minded officers, Douglas was reprimanded for his efforts.<sup>3</sup> Although thrift, sobriety and industry were desirable for the civilian operative, the Post-Waterloo army command, reflecting more its eighteenth century traditions than nineteenth century realities, maintained that alcohol was a necessary adjunct to the life of a 'tommy', a indispensable nostrum for the boredom and loneliness he endured. Accumulation of funds would only take a soldier's mind off

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<sup>1</sup>John Irwin Cooper, "Some Early Canadian Savings Banks," Canadian Banker, V.57 (Spring, 1950) pp.135-143, p.140.

<sup>2</sup> Sir Howard Douglas exhibited both liberal and conservative tendencies. He fought for both improving soldiers' health and non-denominational schools yet was against abolition of slavery and the Reform Bill. Besides promoting savings banks and schools he also sponsored agricultural societies, building plans, and roads. D. Murray Young, "Sir Howard Douglas," Dictionary of Canadian Biography, Vol.IX:218-222.

<sup>3</sup> After seeing the success of the soldiers savings bank Douglas sent a report to Horse Guards " ... setting forth the effect produced on the character of the soldiers, particularly in checking desertion and drunkenness. He received a sharp reproof in reply...." S. W. Fullom, The Life of General Sir Howard Douglas, Bart., From his Notes, Conversation and Correspondences, (London: John Murray, 1863).

his job. One army peer even ventured the improbability that a soldier who had money to save was paid too much and therefore his pay should be reduced.

It was not until the late 1830's that concerns over the health of soldiers serving in India and the high desertion rate of soldiers stationed in British North America prompted high-ranking officers in the Horse Guards to change their opinion. Savings banks became a potential source for improvement of military efficiency, discipline and economy.<sup>4</sup> A parallel logic, born of the industrial revolution, reshaped army doctrines relating to transportation, logistics and recruitment. The case of Douglas' military savings bank illustrates the coincidence of humanitarianism and material interest, of 'conscience and convenience'. Douglas approved of the bank for the moral uplift it provided for his soldiers and so could feel his humanitarian impulse effectively realised. At the same time, his desire to reduce desertions was fulfilled.

Lieutenant Governor Douglas' keen interest in the welfare of his soldiers spilled over into the civilian sphere. In a speech boosting savings banks he outlined his societal vision, philanthropic orientation and development bias to a Saint John audience late in 1824.<sup>5</sup>

(benefits would derive)...from the direct tendency of such a measure to inculcate and confirm provident and economical habits by providing a secure place for receiving savings...; and from the great moral improvement which such habits must produce on domestic

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<sup>4</sup>Peter Burroughs, "Promoting Thrift, Sobriety, and Discipline in the British Army: The Establishment of Military Savings Banks," *Social History*, V.14 No.28 (1981), pp.323-337, p.324-332.

<sup>5</sup>Royal Gazette (hereafter Gazette), 26 October, 1824.

character and consequently on public character and utility.<sup>6</sup>

Individual 'moral improvement', symbolizing the need for profligate spenders to reform themselves, would lead to more virtuous households, and by extension, a more stable and efficient society, represented by increased 'public utility'.

Douglas touched on two other issues often raised about savings banks in the New World: first, their function as capital accumulators in capital-scarce frontier economies; and second, and related, their role in the creation of new, small 'capitalists' who could invest their savings in agriculture or to a lesser extent, industry or trade.

Here,...in an infant state of society, in a rich, uncultivated country, the accumulations from savings (capital) should,..., be laid out in clearing land, erecting buildings, procuring agricultural implements, improving & promoting the breed of cattle, and in the culture of the soil. These enterprises cannot be ... commenced without some capital, but they can be entered on with so small a sum, that every domestic servant, every labourer, every industrious person, might in the course of very short time amass from the savings which the wages of labour ... enable them to make, means sufficient to become independent proprietors and prosperous cultivators of the soil.<sup>7</sup>

Douglas' words evoke the rising belief early in the nineteenth century that 'modern' farming meant the application of scientific principles by market oriented producers to maximise output. Economic commentators, having "rediscovered" the 'independent proprietor', picked him up, dusted him down and presented him as a liberal icon after years of derision as backwards and outmoded in the face of the

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<sup>6</sup>Ibid.

<sup>7</sup>Ibid. Douglas stated further that he would grant "with particular favour" land to anybody who had acquired capital through wage work and the auspices of the savings bank.

enclosures and eighteenth century thought.<sup>8</sup> This view helped foster a clear connection between the savings of wage labour and the ability of a young nation to improve its agricultural production. The argument assumes a group of labourers earning wages of an extent that enabled purchases of farms that would in turn provide independence. However, recent work has shown that many in the Maritime farm sector worked for wages on other farms or in non-farm pursuits. Most farmers could not exist independent of wage work.<sup>9</sup> The possibilities of creating a large body of independent, egalitarian proprietors existed largely in the heads of theorists, not in the hinterlands of the region.

Contemporary explanations for the failure of an English style manorial system to develop in New Brunswick centered on high wages and scarce labour. The mid-1820's witnessed impressive growth in the timber and shipbuilding industry in New Brunswick.<sup>10</sup> High wages due to demand were enticing too many workers away from other activities. More important than any mere economic explanation was the belief that the timber industry was inherently immoral and unstable, traits

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<sup>8</sup> Clive Dewey, "The Rehabilitation of the Peasant Proprietor in Nineteenth Century Thought," History of Political Economy 6:1 (1974), pp.17-47. The belief that farm labourers should save money to 'get ahead' was a major shift away from eighteenth century thinking when Tory and Whig alike ignored the contribution of the masses to the welfare of the community. Indeed, bare subsistence wages were seen as a necessary evil to force the lower orders to work at all. Poverty and unrelenting toil was the natural condition of the poor. H.T. Dickson, Liberty and Poverty, p.87.

<sup>9</sup> Rusty Bitterman, "Hierarchy of the Soil: Land and Labour in a Nineteenth Century Cape Breton Community," Acadiensis 18:1 (Autumn, 1988), "Farm Households and Wage Labour in the Northeastern Maritimes in the Early Nineteenth Century," Labour/Le Travail 31 (Spring, 1993), pp.13-45.

<sup>10</sup> Graeme Wynne, Timber Colony: A Historical Geography of Early Nineteenth Century New Brunswick, (Toronto: U. of T. Press:1981) pp.43-53.

elites felt appealed to the lower classes. Poor labourers, presumably seduced by quick wages and easy employment, fell into debauched and unproductive lifestyles that detracted from the more sober and noble pursuit of working the land. If more immigrants could be induced to farm than cut timber, both the social and financial fibre of the colony would be strengthened as imports and working class libertine behaviour declined.<sup>11</sup>

Commentators like Douglas were caught in a catch-22 position of sorts. While right in believing the forest sector capable of providing funds for new farms, they still preferred that forestry be pursued only until a farm could be purchased. However, the nature of the frontier economy militated against that occurring on a broad scale. The boom and bust of the timber trade ensured occupational pluralism remained the dominant economic motif, not steady capital accumulation ending in independent ownership of farms. During periods of boom, the easy access, low skill requirements and good potential return of the timber trade provided a way to acquire wealth to enter the farm sector. However, in times of depression, which were regular and prolonged, the timber trade could only supplement subsistence, while other non-farm pursuits were seasonal, uncertain and fiercely competitive. Wage levels that required a farm worker to find two years of perfect employment before he could afford a farm meant that most never established independence. The costs of buying a farm, either new or improved, were quite high, not requiring the

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<sup>11</sup>For contemporary observations elucidating this view see: Anon, Letters from Nova Scotia and New Brunswick, (Edinburgh, 1829), "Letter XXI, 15 May, 1828" pp.154-159.

"so small a sum" alluded to by Douglas.<sup>12</sup> Land costs in New Brunswick were rising between 1817 and 1850. By 1850 hundreds of pounds were needed to purchase a partially cleared farm with stock and buildings. This is why the easy access and prolonged access to timber wealth, the very thing Douglas decried, was so important to acquiring capital to start farms.<sup>13</sup>

The inadequacy of the capitalist/farmer connection favoured by many elites, however, must be balanced with the perceptions that observers, particularly the gentry like Douglas, would have embraced. To him, the agricultural potential of New Brunswick must have appeared great. It would have been natural for him to see in his mind's eye the vast, wild acreage of the province transformed into the picturesque, productive countryside of England by the contented and willing hands of labour. Unfortunately, the tenets of scientific farming were often poorly suited to frontier culture, economics and Maritime geography.<sup>14</sup>

Douglas' speech evinced as well a primary principle of nineteenth century banking, that commercial banks were for only the elite. Thus, the savings banks, based on the idea that individual responsibility and morality could be improved

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<sup>12</sup> Wynn in Timber Colony cites £50 as the bottom-line price for small scale entry into the farming sector. Bitterman in "Farm Households and Wage Labour", cites a figure for P.E.I. in 1839 of £200 for "...the livestock, tools, and supplies necessary for establishing a farm of 30 cleared acres." p.18. In 1833 the New Brunswick Courier (hereafter Courier) reported that a large barn, 24 cattle, 1 horse, other stock, hay, tools & boards destroyed by fire were estimated at a value of £500, 18 May.

<sup>13</sup>Wynn, Timber Colony, pp.78-84.

<sup>14</sup> For a discussion of these problems see J.S. Martell, The Achievements of Agricola and the Agricultural Societies, 1818-1825, Bulletin of Public Archives of Nova Scotia (hereafter PANS) Vol.II No.2, 1940; John D. White, "Speed the Plough: The Agricultural Societies in New Brunswick" M.A. Thesis, (University of New Brunswick, 1977), see Chapter 1 "Agriculture Before 1850" pp.1-32.

with philanthropic inducements to save, were not for the classes who had access to traditional financial institutions or instruments.

The thriving Merchant, the great land-holder, and all other provident and industrious classes of persons in the greater ways of business, trade or professions, find, in the operations of their trade, or in monied institutions and transactions of their Country, the means of employing productively, or depositing securely and advantageously, **their savings**. But from want of ... Institutions adapted to receive, and to manage productively, the small investments of persons who live by their manual labour, ... much capital has been squandered, or spent viciously, and unproductively which might have been applied to form small capital and to add to the productive industry and gross Capital of the Nation.<sup>15</sup>

Failure to follow this principle of thrift banking led to scandals and runs on New Brunswick savings banks before Confederation.

The gubernatorial perorations in Saint John contained more than idle theory and rhetoric. Douglas also offered himself as patron of the new savings bank he established there. The male trustees who stepped forward to govern the savings bank represented the city's office-holding and mercantile elite. A two-man "committee" was appointed each Monday to run the bank, their names being published in local paper.<sup>16</sup> Most notable among them was John R. Partelow. Chamberlain of Saint John City for many years, he was also long-time member of the House of Assembly for an urban riding. Described as "perhaps the leading financial authority in the colony..." it was he who organised the long-term funded

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<sup>15</sup>Gazette, 26 October, 1824. His emphasis.

<sup>16</sup> This mode of operation was the same one used to conduct the new Marine Insurance Company. Advertisements detailing who among its committee of directors would be handling business appeared alongside those of the Savings Bank. For example see Courier, 1 September, 1827.

debt for Saint John when it encountered a period of financial stringency around 1830.<sup>17</sup> It was thus natural that he took a leading role in the savings bank there, and in Fredericton, when he later presided over the winding-up of its affairs.

Another politician-trustee was the Saint John MHA, Charles Simonds, Speaker of the House for eleven years and an important Reformer. Although a powerful politician, Simonds also came from a wealthy commercial family and among other endeavours, was a founder and one-time president of the Bank of New Brunswick. As well he was associated with the Saint John Chamber of Commerce, Saint John Fire Insurance Company and Commercial Bank of New Brunswick.<sup>18</sup> His motivation probably stemmed both from business interests and the political and social prestige that adhered to the position.

Most of the committeemen were merchants, practical men of business such as John Ward, James Kirk, George Mathews and Hugh Johnston, James Ewing, and Daniel Jordan. For this group, the social prestige and societal benefits that accrued from a savings bank, meshed neatly with their desire to reduce poor charges and stabilize the labour pool. Some trustees evinced bona fide philanthropy. Alexander

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<sup>17</sup>T.W. Acheson, Saint John. The Making of a Colonial Urban Community, (Toronto:University of Toronto Press, 1985),p.183. A contemporary, newspaper editor George E. Fenety gauged his " influence (1847) greater than that of any member (of the assembly)...." He was chairman of the Public Accounts Committee, "...holder of the purse strings, and virtually controlled the distribution of public funds." At that time he was appointed Auditor of the Public Accounts in the responsible reorganization and resigned his seat. G.E. Fenety, Political Notes and Observations Extending Over a Period of Twenty-Five Years. (Fredericton: S.R. Miller, 1867); See also W.S. MacNutt, "John Richard Partelow" DCB IX:622-623.

<sup>18</sup>New Brunswick Courier, various editions, 1834 (hereafter Courier); Charles Simonds was later the Chair of the Colonial Association and was brother to Richard Simonds, another MHA and Provincial Treasurer during the late 1820's and early 1830's. See T.W. Acheson, "Charles Simonds," DCB VIII:806-811.



Wedderburn undertook more mainstream humanitarian endeavours. He was Secretary of the Saint John Agricultural and Immigrant Society in the 1820's and reportedly went severely in debt in 1827 and 1828 assisting destitute immigrants. In 1831 he was appointed emigrant agent in Saint John for the British Government.<sup>19</sup> The bank's cashier was Thomas Heaviside, a dry-goods dealer and lumber merchant who also held the posts of secretary of the Marine Insurance Company and secretary-treasurer of the Kent Marine Hospital, both in Saint John.<sup>20</sup>

Although it is not known for certain, it is likely that Heaviside operated the bank from his place of business. When trustee banks were not officially associated with a private bank or government the next best place to service depositors was at the business quarters of one of the trustees located in the market areas of the towns. There, once a week, the committee would assemble, receive deposits, pay out withdrawals, making the necessary entries in the deposit books. An additional duty was witnessing new depositors sign the "Signature Book". There, the date, occupation and sometimes the address of the new account holders were recorded. From time to time, the bank official would enter comments, either of his own or of a directorial nature from the depositor. Comments of the former nature might denote race or living arrangements while the latter often involved a parent wishing

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<sup>19</sup>W.A. Spray, "Alexander Wedderburn" DCB VII:899. Wedderburn was married to Jane Heaviside, daughter of the cashier, Thomas.

<sup>20</sup>Ibid. Heaviside has no entry in the DCB but is mentioned in others. See Phyllis Creighton, "Mary (Lady Love) Heaviside" IX:386-387; W.A. Spray, "Alexander Boyle", VIII:102-103. He came to Saint John from Halifax some time after 1806.

to establish joint powers of withdrawal on an account opened for a child.<sup>21</sup> An annual meeting was held where all those who had subscribed at least one pound to the funds of the bank met to elect officers for the ensuing year.<sup>22</sup>

The meeting in Saint John at which Douglas had outlined his ideas on political economy and the savings banks was followed by another in Fredericton in December, 1824.<sup>23</sup> Douglas reiterated the thrust of his speech in Saint John and called for worthy gentlemen to present themselves as trustees and officers for the new Fredericton Savings Bank. Like its counterparts in Saint Andrew and Saint John, the management of the Fredericton Savings Bank was entrusted to the social and political elite of the capital. First in prominence was the Chief Justice of New Brunswick, John Saunders. President of the bank from 1825 to 1834, Saunders was one of the original Loyalist office-seekers from the Thirteen Colonies. By amassing tracts of land along the Saint John River, he became one of the largest landowners in the colony.<sup>24</sup> Other trustees included Peter Fisher, the first historian of New

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<sup>21</sup>After Confederation and the takeover of all government savings banks in Canada under the first Bank Act of 1871, most of the records from the savings banks of the former Maritime colonies such as ledgers and account books were destroyed, either in Ottawa or the Maritime capitals, and the remains saved for "evidential purposes" at the National Archives of Canada in RG 19 Department of Finance Records. Signature books, from Saint John and Halifax, were found among Post Office Records in RG 3. The Saint John Signature Books, covering years 1839-1870, encompass thousands of names, many repeated as accounts were opened and closed over the years. They embody Volumes 1103-1110.

<sup>22</sup>Courier, 7 January, 1826. That year the meeting was held at Cody's.

<sup>23</sup> Gazette, 21 December, 1824. Interestingly, the piece on the Governor's address in Fredericton appeared just below the weekly notice announcing the commissioner for the Alms-House and Work-House. In later years advertisements listing the upcoming trustees for the week at the bank appeared alongside the Alms and Poor House ads and were often the same people: See Gazette during 1830's.

<sup>24</sup>MacNutt, New Brunswick, p.99. A list of the original trustees and officers is in the Gazette, 21 December, 1824.

Brunswick, and businessmen Peter Fraser, Henry Smith, Jedediah Slason, George Minchin, and Mark Needham.

The cashier/secretary of the bank was Henry G. Clopper a public servant who held multifarious posts, the most important being judge of the Inferior Court of Common Pleas. Clopper was founding president of the Central Bank of New Brunswick of Fredericton in 1834. Extremely active in community affairs, he was a founding and long-time director of the almshouse and workhouse Fredericton.<sup>25</sup>

The Fredericton Savings bank, probably due to its location and personnel, exhibited a penchant for officious titles. Not only did it have a president and vice-presidents, it also boasted a treasurer in addition to a cashier and secretary. The first treasurer was James Taylor Sr., a prominent merchant and original settler of Fredericton. In 1821, he and his three sons, William, James and John F., formed the partnership of James Taylor Senior and Company which continued until 1838. While James Jr. achieved more prominence, becoming a local MHA, director of the Central Bank of New Brunswick and the Nashwaak Mill and Manufacturing company, John F. succeeded his father as treasurer of the savings bank in 1834.<sup>26</sup>

The savings bank first began operations in January, 1825 out of Clopper's Fredericton office on Mondays between the hours of 10 and 2. The managers for

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<sup>25</sup> Other positions were registrar of deeds and wills for York county, sergeant-at-arms in the assembly, sub-collector of customs, justice of the peace and county clerk. He also helped organize relief for Miramichi fire in 1825 and held the posts of secretary/treasurer of the Fredericton Library. Clopper was Charles Simonds' brother-in-law. D.M. Young, "Henry G. Clopper," DCB VII:187-188.

<sup>26</sup>Phillip Buckner and D.M. Young, "James Taylor" (Jr.), DCB VIII:867-869.

the first week of business were he, Henry Smith and Taylor.<sup>27</sup> It is likely that Clopper, as secretary and cashier, performed and oversaw the initial money collection, entries and paper work, while Taylor was responsible for the keeping of overall accounts, year-end auditing and the details of investment -- namely discounting notes. As a prominent merchant he was positioned to direct promissory notes to the bank for discount. If contemporary practice is any indication, his personal accounts could have been inextricably linked with those of the bank.<sup>28</sup>

The Lieutenant Governor's call for savings banks must have found a sympathetic audience among the gentlemen of the two riparian towns, where, despite a timber boom, finding money for poor relief became a major problem. Social dislocations in Britain at end of the Napoleonic War were quite extensive. Farm labourers unable to support themselves as wages fell gravitated towards the new towns and cities where along with discharged soldiers they formed the *lumpenproletariat*.<sup>29</sup> Credit restrictions caused by the huge war debt foreshortened

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<sup>27</sup>Gazette, 11 January, 1825. Nine years later the office hours of the Saint John Savings Bank were similar, being from one to three p.m. on Tuesdays. The cashier at the time was Daniel Jordan, a merchant, who operated the bank from his King Street business. He was also the secretary of the N.B. Fire Insurance Company in 1833. Courier, 15 February, 1834 and 12 January, 1833.

<sup>28</sup> For instance when John Robinson, provincial treasurer, died in 1828, the point of contention was not if he owed money to the province, but how much. His executors stated that when a memorandum and the assets of his estate were considered, the balance against should have been £22,250, not £28,250. The new treasurer, Richard Simonds, noted that he had received £22,254 from the executors of the late treasurer; " General State of the Account Current with the Est. of the Late Hon. John Robinson, 1 January, 1828 to 20 October, 1828" and " General State of the Account Current with R. Simonds, 21 October, 1828 to 31 December, 1828", Journals, 1829.

<sup>29</sup> Sidney and Beatrice Webb, The English Poor Law History, Part II: The Last Hundred Years. Vol. 1, (Hamden, Conneticutt: Shoe String Press, 1963) Chap.1.

business activity adding a further stimulus for emigration from Scotland and Ireland. For New Brunswick and Nova Scotia, these circumstances in the Mother Country spilled over in the form of increased immigration during the first two decades of the nineteenth century. Many of these newcomers were impoverished, with no financial means of support or frontier skills.<sup>30</sup>

The poor relief system in New Brunswick was based on the English Poor Laws, first developed during the reign of Elizabeth I. The central administrative unit of relief distribution was the parish. The main administrators of the law were the justices of the peace, empowered by the legislature to have indigents arrested and detained, examined, and then, if found idle or disorderly, to be committed to the prison or workhouse. Three overseers of the poor were appointed by the justices to gauge the disposition of the sick and infirm poor. They reported back to the justices who then struck the annual poor rate assessment. From time to time additional grants from the legislature helped meet extraordinary expenses occasioned by famine, fire and the like.<sup>31</sup>

Colonial poor laws attempted to make provision for most types of indigence. Minors, females eighteen and under or males twenty-one and under, might be bound as apprentices, with or without parental consent. Able-bodied, adult paupers were "obliged" to take employment. If no work was available, the overseers were

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<sup>30</sup> Brereton Greenhous, "Paupers and Poorhouses: The Development of Poor Relief in Early New Brunswick," Social History, Vol 1 No 1 (April, 1968):103-126, p.113.

<sup>31</sup> James. M. Whalen, " Social Welfare in New Brunswick, 1784-1900," Acadiensis, Vol.II, No.2, ( Autumn, 1972):54-64, p.54-57; Greenhous, "Paupers and Poorhouses," p.103-105; Dennis Guest, The Emergence of Social Security in Canada.(Vancouver:University of B.C. Press, 1985),p.9-11.

authorised to rent or buy a house for their maintenance, the 'workhouse'. Often proceeds from menial tasks such as picking oakum, stitching rough garments, sawing wood or breaking stones were used to help support the operations of the house. The sick, the old, the infirm were charges of the parish as well. The overseers were to provide for their shelter, renting or buying it as the case may be. Those accommodations were the 'almshouses'.

It is easy to see how the workhouse and the almshouse, in the financially constrained parishes of colonial New Brunswick, quickly coalesced into one, undifferentiated structure. They failed to make serious distinctions between deserving and non-deserving poor, the healthy or the sick and became catchalls for all the unlucky detritus of society. A clause in the act gave overseers the option of farming out the care of both the healthy and the infirm to the lowest bidder from private homes, farms or businesses. These infamous auctions led to many abuses and lasted in remote areas until the 1920s.<sup>32</sup>

Justices of the peace styled themselves esquire, and since all listed in connection with the bank's start-up in 1824 used the title it is likely that some of the new bank trustees in Fredericton and Saint John were personally acquainted with both the increasing bother and cost of poor relief. Newspaper advertisements appeared in both towns listing the savings bank trustees for the upcoming week. In Fredericton, during 1830, the advertisements showing the trustees for the upcoming

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<sup>32</sup> Greenhous, "Paupers and Poorhouses," p.105-106; Whalen, "Social Welfare," p.58. That poor laws were grossly inadequate for colonial conditions is evident in the fact that annual direct assessments fell short of expenditures as early as 1799, prompting authorities in Saint John to develop more imaginative indirect taxes such as levies on stray animals.

week for the Almshouse and Workhouse appeared adjacent to advertisements listing the same for the savings bank.<sup>33</sup>

The savings banks were supported by colonial elites concerned about the cost and effect of social dislocations. The first cause was material and economic. However, their intimate involvement with the day to day life of the lower classes, the problems, the aspirations, the frustrations of these people, must have driven them to seek ways of social reform that stood to do more than simply relieve the cold and the hunger. Despite the possibility that many trustees in New Brunswick sought simply to relieve the immediate pressure on their pocketbooks, presumably some felt a strong moral suasion to find a positive, long-term benefit for the poor and by inference the colony as a whole. For instance, the religious convictions of the elites also played a role in supporting philanthropy. A strong evangelical current flowed through New Brunswick society, characterised by an inter-denominational desire to reform public morals. Evangelicals attacked Sunday activities, theatre and grog shops in Saint John, for instance, early in the century.<sup>34</sup>

Peter Fisher, overseer for the poor and savings bank trustee, evinced a mixture of financial worry and personal, heartfelt anguish in connection with his duties as an overseer:

There are, at present, a number of such Paupers looking to the Overseers for daily support. It is well known that food cannot be obtained at this season without prompt payment. There are also

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<sup>33</sup> Gazette, 1830, Trustees for both one week were Henry Clopper, Henry Smith, Jedediah Slason, George Minchin.

<sup>34</sup> Acheson, Saint John, p.125.

several bills brought against them for the care of the sick which they cannot discharge – no means having been placed at their disposal. From the present wretched mode of providing for the sick they must, of necessity, suffer; but if the Parish can afford but one poor meal a day, that should be made sure to them. I do not wish a Pauper to call on me a second time for what the Parish allows and places at my disposal. I am willing to do my part in improving the condition of the sick but I do not wish to have them looking at me when I have not the means of relieving them. I have assisted in providing for them during the winter – I have visited them frequently and expended a considerable sum for their relief, but have not yet received a shilling, neither can I learn when I am to have anything.

If I had seen any prospect for an alteration in this system I should not have made this statement; but having been placed in the gap, I do not wish the cries, much less the curses, of the Poor to follow me.<sup>35</sup>

The overseers of the poor did not like the present system. It failed to provide them with the funds necessary to carry out their duties, yet still exposed them to abuse from both rate-payers and the poor. The English parish model, relying on densely developed parishes to fund it, simply did not fit in the sparsely populated colony of New Brunswick. The savings banks, offering mitigation of the monetary burden of poor relief while avoiding the pitfalls of private, indiscriminate alms-giving, would have been welcomed.

Clearly, pecuniary pressures faced by the local elite eagerly led them to second the savings bank idea mooted by Lieutenant-Governor. At the same time, the personal feelings of a man like Fisher, placed in a moral dilemma, come clearly through. Support of the savings bank was rooted in past experiences that led elites to seek specific remedies to a pressing problem. Their self-interest in reducing their

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<sup>35</sup>Gazette, 28 March, 1820.



financial and personal commitments to poor relief was channelled and tempered by their ideological outlook, evangelical bent and humanitarian conscience. The foundation of savings banks was one option, presumably out of many. The specific choice of savings banks and the rules upon which they were founded were determined by a process more complex than pure financial self-interest.

On 1 February, 1825 a new legislative session began. The speech opening the session touched on many of the issues of interest to the philanthropic Douglas. The vice-regent, complaining of the specie being drained from the province to buy imported foodstuffs, hoped that more could be grown in the colony itself. He called for the encouragement of agricultural and emigrant societies, the African School, and spoke of money being available for the proposed College of New Brunswick.<sup>36</sup> Douglas further exhibited his penchant for social betterment by sponsoring a permissive bill setting up guidelines for the creation of savings banks anywhere in the province.<sup>37</sup> This was the first act in British North America detailing governmental regulation of this form of financial intermediary. Earlier savings banks in Montreal were instituted without specific legislation.<sup>38</sup>

This legislation which laid the foundation for savings banks in New Brunswick for the next 40 years was in part modelled on the British trustee model,

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<sup>36</sup> Journal of the Legislative Assembly, 1825:3

<sup>37</sup> "An Act to encourage the establishment of Banks for Savings in this Province", George IV, Cap.IV, passed 17 March, 1825. Statutes of New Brunswick.

<sup>38</sup> Naylor, "The Rise and Decline," p.520-525, 528-532. Naylor notes that when Lower Canada instituted its savings bank legislation in 1832 it was largely modelled on New Brunswick's.

but as well had aspects that were completely original. The basic provisions of the bill regarding the depositors were as follows: The interest rate and total account ceilings were placed at 6 per cent and £50 respectively. Friendly societies, such as fraternal immigrant or guild aid societies, were permitted to use the bank, their total account ceiling being £100. Persons under twenty-one years of age were allowed to make deposits and withdrawals. The type of depositor was limited to those of the working classes.

The trustees were to adhere to the following rules: They were to volunteer and possess bonds or sureties (the amount not stated) if handling money. Legally liable in all bank affairs, they held its assets in a fiduciary capacity. Guidelines allowed the trustees to pay any sum greater than £50 into the provincial treasury in return for non-transferable, non-assignable debentures bearing 6 per cent interest made out to the savings bank. These debentures came due every 31 December, the end of the fiscal year, and were then cashed in or renewed. A ceiling of £10,000 was placed on the total level of debentures allowed to be outstanding at any one time. This cap pertained to the debentures of all, not individual, banks. The investment of the funds, unfortunately, was not specifically directed towards provincially backed certificates or other secure public vehicles. The trustees were only "empowered" to invest in the public debt. A later paragraph stated that, "for the time being", the trustees were free to invest the institution's money "...in any fund or stock, or upon good and valid security within this Province, and in the so

doing may be made to answer the ends of such Institution."<sup>39</sup> This clearly opened the way for the deposition of savings banks funds into private banks or even less secure investment vehicles, the tacked-on warning notwithstanding. The phrase "for the time being" and the admonition suggest that there was a certain amount of ambivalence or distrust regarding chartered bank access to these philanthropic funds.<sup>40</sup>

The bill was introduced by a member friendly to the administration and progressed quickly through committee and readings. Amendments of note, however, were made to the original bill.<sup>41</sup> Committee decided that the new savings banks should specifically state in the rules they were required to draw up, that only " ...Tradesmen, Mechanics, Labourers, Servants, and others of the industrious classes..." could use the bank. This addition, placed at the end of a paragraph beginning "And Whereas it is expedient to provide against improper investment of monies under the provisions of this Act," suggests some members feared a 'better' class of depositor gaining access to the bank. This was in keeping with banking ideology of the day. The Saint Andrew Herald commented favourably on the "Extensive powers given to the President and Directors to prevent improper persons..." from using the banks since they were not for the rich

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<sup>39</sup> "An Act to encourage the Establishment...."

<sup>40</sup>It appears that the Saint John Savings Bank had already lent out money in £100 notes payable in 90 days, although it was thought that the government was moving to pass an umbrella law which might undertake to borrow all the money of the savings banks. Letter to editor, " Saint John Savings Bank" Novascotian, 16 February, 1825.

<sup>41</sup> S33 - B14 RS 24, 2 copies of original savings bank bills allow for comparison; Public Archives of New Brunswick (hereafter PANB). In general, its passage was uneventful in both houses.

but "...labouring part of the community..."<sup>42</sup> Ironically, they focused on the wrong end of the investment cycle. If legislators inserted this clause to prevent merchants or others from benefitting from the banks they failed since no clause existed specifically banning the deposition of savings bank funds into the chartered banks or other investments.

The act encouraged that any "benevolent or friendly Society" could deposit money in any savings bank created under its provisions. This clause was aimed at the patriotic societies like the Cardigan, Saint Andrew, Saint George and Saint Patrick, and the more general New Brunswick Agricultural and Emigrant Society, which assisted new arrivals to the colony.<sup>43</sup> As well, friendly societies based on occupation were accepted. Significantly, societies were allowed to deposit up to £100, twice the limit allotted individuals. That societies were so favoured by the New Brunswick drafters was not surprising given that societies had always been closely aligned with savings banks wherever the latter had appeared. In this way, existing private charities and self-help societies could continue to add their weight to the balance of good works being done, in addition to supporting the balances of the savings banks.

Samples taken from the signature books of the Saint John Savings Bank and

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<sup>42</sup> Saint Andrew Herald, as quoted in the Courier, 9 April, 1825.

<sup>43</sup> The complementary nature of the two types of institutions is revealed by the similarity of their rhetoric. White sees a resemblance between the rhetoric of the temperance movement and the agricultural societies, and the same is true for savings banks, see Speed the Plough, p.30-31. The fundamental thrust was of all three was that by increasing personal industry, thrift and self-help, and decreasing profligacy, drunkenness and poverty, the general prosperity of the province would improve, along with the moral fibre of the populace.

records from the Fredericton institution show that in the years before Confederation many societies did in fact use the banks.<sup>44</sup> In Saint John they included the Journeymen Tailor Society and Fire Protection Club and the Hibernian Lodge. In Fredericton there was the Saint Andrew's Society. Besides those patriotic societies, various other ones were noted. They included the Union Fire Club and Black School Fund of Fredericton, along with an account on behalf of the 52nd Regiment garrisoned there. Still in Fredericton, Mary Odell, relative of Provincial Secretary William F. Odell, opened three accounts for the Society for the Encouragement of Female Servants. The Portland Free School and the Kings County Society of the Sons of Temperance opened accounts meanwhile in Saint John.

The most unique and important feature of the act was that it envisioned a network of savings banks, each based in county shiretowns, using the deputy-treasurers located there as the means of remitting and receiving funds to and from the provincial government. Under this enabling legislation, Saint Andrews, in Charlotte County, opened a new savings bank by 1827.<sup>45</sup> Individual parishes within in each county were capable under the act of establishing their own savings banks. Although in practice the banks were found only in the larger centres, all parishes could realize direct benefits from the savings banks. Presumably, if the

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<sup>44</sup>Samples for Saint John taken from the Signatures Books, RG 19 for years 1839 and 1852-56:NAC. For Fredericton they were taken from "Account Ledger of Fredericton Savings Bank, 1825-1837", MC 489 MS4(B) and "Fredericton Savings Bank Account Books, 1825-1847", MC 489 MS1:PANB.

<sup>45</sup> Cooper, "Some Early Canadian Savings Banks," p.140.

working poor could be encouraged to set aside money when they had it, then demands on the overseers would be lessened. Children and adults alike, inculcated with the valuable lessons of thrift, industry and sobriety, would learn the necessity of foresight and planning, of attending to the future consequences of their present actions. Savings from precarious, salaried, seasonal employment might be channelled into more productive and stable enterprises, such as independent farming, which would benefit society as a whole. Conscientious people could take comfort that the poor were still being looked after while their pocketbooks remained untouched, if not enriched. For those too infirm, too sick or too lazy to work, the almshouses or workhouses waited. Much the same dynamic at play in New Brunswick, took shape and led to the establishment of a savings bank in Nova Scotia. Indeed, the very existence of New Brunswick's system added to the growing impetus in Halifax.

## Chapter Two

### The Council's Desire The Founding of Nova Scotia's Savings Bank

Early nineteenth century Nova Scotia quite naturally possessed many commonalities with New Brunswick. As in her sister colony, political institutions and cultural elites drew their form and inspiration from the mother country. Halifax, in many ways, was a hybridization of Fredericton and Saint John. The imperial military and vice-regal presence set a social tone of deference, gentility and monarchic loyalty similar to Fredericton. At the same time, the commercial, pecuniary concerns of the mercantocracy reflected more the bustle of Saint John. The newer ideological currents of the day – laissez-faire market economics and political reform – were starting to gain adherents, but still contended with forces of conservatism embodied in the executive council and parts of the merchant establishment.<sup>1</sup> The ambition of merchants and politicians to develop their bailiwicks into important commercial centres of the empire continually clashed with the realities of geo-politics. Like New Brunswick, the heady days of the War of 1812, when fortunes were made in war-related activities, melted into a post-war slump, accompanied by a concomitant rise in immigration and pauperism.<sup>2</sup>

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<sup>1</sup> see J. Murray Beck, Joseph Howe, Conservative Reformer, 1804-1848, Vol.I, (Montreal:McGill-Queens University Press, 1982) and Politics of Nova Scotia, 1710-1896, Vol.I (Tantallon, N.S: Four East Publications, 1985); Thomas Raddall, Warden of the North, (London:J.M. Dent & Sons Ltd., 1950).

<sup>2</sup> See David Sutherland, "Halifax Merchants and the Pursuit of Development," CHR LIX No.1:1-17 for a discussion of the Halifax merchants; The following is a blow by blow account of the decline of the West Indies trade and various economic slumps of the period: H.H. Robertson, "The Commercial Relations Between Nova Scotia and the British West Indies, 1788-1822: The Twilight of Mercantilism

Nova Scotia also resembled New Brunswick with respect to the structure of its poor laws. Administered by justices of the peace and overseers of the poor, it was supported by the local levy of a poor rate. From time to time, depending on exigencies created by immigration, crop failure, business recession or fire, the provincial government would allocate extraordinary funds to assist the overseers. In Halifax public assistance was provided solely through the poorhouse.<sup>3</sup>

As in New Brunswick, the dispensers of humanitarian rhetoric tended to be newspaper editors, clergymen, and politicians, whereas the providers of humanitarian relief were more liable to be 'practical men of business'.<sup>4</sup> Presumably, the former were motivated by a sense of responsibility to their electorate, congregation or readership. They have been generously characterised as the "...most respectable, dependable, moderately reformist and middle-class elements in the towns."<sup>5</sup> Savings banks supported by these elements, also received direct support from farmers and businessmen, in addition to the approbation of Lieutenant Governors, and executive councillors. This again reflects a similarity to New Brunswick where other schemes such as self-help societies and secular schools failed

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in the British Empire" (M.A. Thesis, Dalhousie, 1975).

<sup>3</sup>Fingard, "Relief of the Poor," p.342; Guest, The Emergence of Social Welfare, p.11.

<sup>4</sup> D.C. Harvey explains why this was so: "(A)s time passed.... they began to interest themselves in the needs of their adopted country as well as their own special problems. (T)hey reared families that thought of Nova Scotia as home; and, as they were forced by the nature of their vocations to examine provincial and international conditions, they were the first to break through traditional modes of thought, to arrive at intelligent conclusions as to general policy, and to bring pressure upon local or imperial officials to remodel economic or political systems." "The Intellectual Awakening of Nova Scotia," pp.15-16.

<sup>5</sup>Fingard, "Poor Relief," p.345.



to receive such broad-based support.

One reason for the appeal of the savings bank was its promise of immediate financial payoff. Presumably, a penny saved by the working poor allowed the rich to reduce and redirect relief costs accordingly. These direct monetary benefits appealed to the business-minded more than the indirect benefits of health services like a dispensary, or make-work projects building roads and crushing stones. Secondly, savings banks were institutions cheaper to build and maintain than poorhouses, almshouse and workhouses. They could be run from a local official or businessman's office. Because they were easily started in areas outside of the larger towns such as Saint John, Fredericton and Halifax, rural assemblymen supported them more readily. In Nova Scotia this was especially important because political tensions between Halifax and rural areas, and the wholesale merchants and nascent middle class elements, were always high when monetary and banking issues were being discussed. It is the development of the savings bank project in the context of a bitter banking struggle that most distinguishes the Nova Scotian from the New Brunswick experience.

An early example of the more complex political dynamic operating in Nova Scotia politics was the discussion of a proposed Provincial Bank. In 1819, a writer to a local paper lobbied for a Provincial Bank allowed to create money to facilitate business and development in the province.<sup>6</sup> Attached to the new bank would be a

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<sup>6</sup>Halifax Journal, 22 February, 1819. In general, there was a chronic shortage of specie, most severe in rural areas, during most of 1800-1840, due to the annual balance of trade deficit that drew specie and London bills of exchange into Halifax and out of the province to pay for imports.

"Provident or Savings Bank". The bank would accept minimum deposits of one-half dollar. Business hours were slated for Saturday, between 10 a.m. and 2 p.m. The deposit minimum was set at half a shilling but interest was allowed on fractions of a pound. Administration would consist of a cashier and twelve directors, three of whom were to be executive councillors. The savings accumulated would flow into the new Provincial Bank and the profits used to defray the cost of the poor house and other charitable institutions. The writer of the article quoted the Scottish experience at length to provide support for his project. Thus in the midst of the post-war depression the savings bank idea had caught on among some members of society who adapted it to the peculiar needs of a depressed Nova Scotian economy.<sup>7</sup>

While these plans were never actualized their pedigree is clear. The use of eminent trustees, the taking and giving of small sums and the pooling of funds for capital formation was by 1819 a tried and true formulation. However, unlike other jurisdictions, proposals for a savings bank, even though crafted to fit the local situation, were continually stifled by infighting between factions vying for political and financial dominance. Since 1801, Enos Collins and Henry Cogswell, a powerful merchant and office-holding lawyer, had tried to get a charter for a private bank only to be thwarted by rural assembly members suspicious that urban merchants designed to increase the cost of money. In their turn, the erstwhile bankers fought

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<sup>7</sup>Ibid.; Later that year saw mention of the savings bank in Montreal: "We would be glad to see one established here, ...for it embraces many important advantages. Small deposits in the lapse of time, make large gains." 6 November, 1819, Acadian Recorder.

'popular' concepts like the Provincial Bank or local farm loan offices for each county which were mooted that same year.<sup>8</sup>

Another reason mooted for the lapse of the savings bank idea is that the Poor Man's Friend Society, created in early 1820, ameliorated the worst of the depression thus mollifying the need for a bank.<sup>9</sup> This society, led by members of the medical fraternity, was composed of both gentry and middle class elements. Its intent to provide individual investigation of relief claims performed by 'visitors' before discharging aid attracted businessmen such as Cogswell as well.<sup>10</sup> The society's guiding spirit, Walter Bromley, was a retired British army officer who had set up the Acadian School in 1813. He was a man thoroughly imbued with the British humanitarian impulse and sought to bring its best and most progressive features to Halifax.<sup>11</sup> Although the new society may have improved the situation enough to reduce the need for a savings bank, it is more likely the real reason for the failure to act on the bank was the political infighting and the commercial depression.

The Poor Man's Friend Society, in spite of its best efforts, received stinging

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<sup>8</sup>Martell, A Documentary Study, pp.10-11. See Chapter 2. For the careers of Collins and Cogswell see the DCB, respectively: Dianne M. Barker and D.A. Sutherland, X:188-190; David A. Sutherland, VII:167-169.

<sup>9</sup>Naylor, "The Rise and Decline," p.516.

<sup>10</sup> Some members were Charles R. Fairbanks, Enos Collins, John Leander Starr, Judge Brenton Halliburton, Edward Crawley, Michael Tobin, J.W. Johnston, Dr. Head, Dr. Almon, and Beamish Murdoch.

<sup>11</sup>Fingard, "English Humanitarianism," 132-135; George E. Hart, "The Halifax Poor Man's Friend Society, 1820-1827," CHR XXXIV 2 (June 1953):109-123, p.109.

criticism early on from newspapers editors and letter writers for committing the ultimate sin in political economy – indiscriminate alms giving.<sup>12</sup> Edmund Ward, editor of the Halifax Free Press and one letter writer, 'Malthus', both unloaded salvoes on the hapless society after it opened a soup kitchen in 1823.<sup>13</sup> This foreshadowed the beginning of the end for the society and it quickly sought other ways of providing help to the working poor of Halifax.

Notwithstanding the bitter enmity between the two camps, by 1825, both Edmund Ward and the Halifax Poor Man's Friend Society agreed on the need for a savings bank in Halifax.<sup>14</sup> What separated the factions was not a disagreement on the appropriateness of self-help relief and the need for better discipline and morality, but rather their analysis of the roots of poverty and their respective levels of sympathy for the poor. 'Malthus' was clearly a moralist. His laissez-faire diatribes laid all blame for societal problems at the feet of the poor themselves. Their erratic work habits, profligate spending, were not to be tolerated. 'Malthus' believed that

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<sup>12</sup>Hart, "The Halifax Poor Man's Friend," 113-115; Fingard, "English Humanitarianism," 134.

<sup>13</sup>Novascotian 19 January, 1825; Hart. "Poor Man's Friend," p.115. Ward quoted from a report of the New York Society for the Prevention of Pauperism, another society which envisioned the savings bank as the correct answer to fears of misplaced philanthropy.

<sup>14</sup>Halifax Free Press, 1 February, 1825; "Proceedings of the Halifax Poor Man's Friend Society" MG 20 Vol.180, 29 March, 1824 (PANS); Another scheme appeared shortly before in the Free Press proposing a life insurance company offering an annuity to the subscriber's survivors. The offer claimed this would provide every advantage of a savings bank. Plans like this were common but unsafe. Since their funds were not managed on sound actuarial principles, later, younger entrants were often left unsecured as earlier, older subscribers died. 18 January, 1825. A good analysis of these affairs was written later in the century by John Ervin, The Manchester Unity of Oddfellows Friendly Benefit Society: being a explanation of principles, government and system of working adopted by the great friendly societies or mutual assurance clubs of the provident artisan class of England. Published with a view to extending the order among the thinking portion of the working classes of Halifax, (Halifax:Z.S.Hall, 1870).

the high wages and a low cost of living in Halifax removed any trace of 'excuses' from the debate.<sup>15</sup> He went to great lengths to prove enough work, at high wages, existed, that when combined with Halifax's low cost of living, a decent living was easily obtainable for all labourers.<sup>16</sup>

Bromley and others of the Society, while accepting the liberal predicate that all succour must be deserved, were more realistic in their analysis of the poor's plight. They acknowledged that environmental factors beyond worker control contributed to poverty and degradation. Although they tried to maintain the visitation system to ensure a coherent, ward by ward, house by house approach to charitable relief, they could not refuse more general assistance when circumstances demanded it. This dilemma led to the soup kitchen. A lack of subscriptions and the flagging morale of the volunteer 'visitors' meant that expensive and time consuming sojourns to the "pallets of the poor" to provide fuel, food and clothes, were abandoned for the cheaper and more easily administered soup line. To its credit, the stinging ridicule of enemies, which certainly must descend upon them, did not keep the Society from outdoor relief, in addition to procuring fuel for the most needy. In the end, it was a lack of money and volunteers, combined with the

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<sup>15</sup>See Malthus' three letters in the Novascotian, 19 January, 2 February, 9 February, 1825.

<sup>16</sup> "Malthus'" computations are for a **single** worker only. His wages, while seasonally adjusted for winter, presumed full employment. His cost of living, while in a period of low or no inflation, did not reflect the realities of a colony that ran annual deficits due to importation of finished products and wheat. He does not distinguish between Halifax currency or Imperial currency. Furthermore, the poor with little credit besides pawnshops, and no or little storage facilities, were forced to pay cash for food and wood in small quantities when they were the most expensive. See J. Fingard's "The Poor in Winter: Seasonality and Society in Pre-Industrial Canada." in M. Cross and G. Kealey (eds) Pre-Industrial Canada, 1760-1849. Readings in Canadian Social History, Vol.2.

empty rhetoric of 'Malthus' and his ilk, that sank the visitation system. For some, humanitarian sentiment resulted in action, defined and shaped by the ideological currents of the day; for others, ideology acted as an moral platform from which to say much, but do little, except denigrate the honest efforts of others.<sup>17</sup>

In late March, 1824, at a meeting of the Poor Man's Friend Society, the Committee of Industry, comprised of H.N. Binney, Leander Starr and a Mr. Richardson, were asked to report on the feasibility of a savings bank in Halifax.<sup>18</sup> They never delivered a report because in early April a special meeting was called by Michael Tobin at the Exchange Coffee House to deal with the issue further.<sup>19</sup> The day before, Attorney-General R.J. Uniacke had been instructed by the governor-in-council to draft plans for a savings bank after Lieutenant Governor Sir James Kempt brought the idea up for discussion.<sup>20</sup> Tobin related that he had then been approached by Uniacke who intimated the establishment of a savings bank was a favourite object with the Lieutenant Governor and his Majesty's Council. The former was particularly anxious to see such an Institution in operation before he sailed to England,...." Kempt, in good philanthropic tradition, offered himself as patron along with £100 of his own money to help pay interest demands. The

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<sup>17</sup> Malthus felt able, from his comfortable position, to even criticise the businessmen who volunteered their time to perform visitations. He held that they, as busy men of commerce, did not have enough time and that people would lie to them so that they should cease. One can only wonder at the exasperation society members must have felt.

<sup>18</sup>"Proceedings of the Halifax," 29 March, 1824.

<sup>19</sup>Ibid.

<sup>20</sup> PANS: "Minutes of Executive Council" 2 April, 1824, Vol.194.

council guaranteed any deficiency that might arise while councillor H.N. Binney offered to act, "gratuitously", as cashier. The meeting adjourned, to await further contact from Uniacke.<sup>21</sup>

It is interesting to surmise why Uniacke, without official sanction from that council meeting, approached the Halifax Poor Man's Friend Society. He likely felt the Society could act as a sort of private extension of itself and so broaden the base of support for a savings bank, thereby mitigating any suspicions entertained by the public and assembly regarding banking schemes. The familial connections between Society members, councillors and the eventual directors of the Halifax Banking Company were extensive. For instance, H.N. Binney, the putative cashier of the savings bank, was uncle to the wife of Nicholas T. Hill, the eventual cashier of the Halifax Banking Company.<sup>22</sup> These men stood to gain if a bank could be fashioned giving them access to its funds, if and when their commercial bank materialized. This is exactly what the proprietors of the Bank of New Brunswick arranged a few months later with the new savings banks in Saint John. Merchant-bankers there exercised their humanitarian consciences while enjoying the convenience of collateral advantages.

Uniacke, at the next meeting, submitted his regulations for the proposed bank and left. Unfortunately, no record of the rules survive, leaving uncertain the exact nature of the proposed bank. Discussion ensued and another meeting was

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<sup>21</sup>"Proceedings of the Halifax," 29 March, 1824.

<sup>22</sup> See Terrence Punch, "The Halifax Connection, 1749-1848: A Century of Oligarchy in Nova Scotia," M.A. Thesis, Saint Mary's University, 1972, p.104 for example.

called for the following day.<sup>23</sup> There, several of Uniacke's rules were amended and passed. A list of bank officers was drawn up and the chairman advised to relay these developments to the Attorney-General.<sup>24</sup> Uniacke, for reasons the record does not provide, did not officially reply to the Society. However, a council meeting in late April provides clues. Uniacke's scheme, either the original or the amended version it is not clear, encountered objections in council. Councillors were wary of provisions that would have established the Lieutenant Governor and entire council as the directors of the savings bank. It was decided to commit the proposal to policy purgatory by referring it to Michael Wallace, Brenton Halliburton and H.N. Binney for revision. When Kempt sailed for England later that session the obfuscators were able to kill the plan.<sup>25</sup>

Since the ball was in the council's court it is fair to say that failure is attributable to a lack of interest among Uniacke's fellow councillors or a reluctance to accept the proposed changes put forth by the Society. Plausible too, is that a vetting of the proposal by the assembly failed to reveal sufficient support to merit putting the Poor Man's Friend Society's proposals into bill form. The Society certainly did not feel it was to blame. A year later in January at a public meeting it noted that previous attempts in 1824 to begin a savings bank had been stymied. Nonetheless, they presented recommendations "...to assist the industrious and saving

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<sup>23</sup>Ibid., 7 April, 1824.

<sup>24</sup>Ibid., 8 April, 1824.

<sup>25</sup>Ibid., 27 April, 1824.



part of the poor, in putting aside some portion of their earnings, in a place of safe deposit, where it may accumulate and afford a new stimulus to prudence and economy." <sup>26</sup> Kempt, for his part, while willing to go along with the idea, was not as enthusiastic a supporter of savings banks as Howard Douglas in Fredericton. His predilection ran more to road-building and military matters.<sup>27</sup> Finally and simply, with the fading of winter, and its hardships, the spirit of benevolence may have melted away in the warm spring sun.

By early 1825, both the Free Press and Novascotian, cognizant of the successes in New Brunswick, evinced signs of civic embarrassment over Halifax's lack of a savings bank. The Novascotian published details about the Saint John Savings Bank which highlighted the success of the New Brunswick thrift institutions.<sup>28</sup> Adjacent to this letter ran an editorial report of Lieutenant Governor Douglas' address opening the New Brunswick legislature. It commented favourably on the social improvements championed by the vice-regent, such as agricultural and immigrant societies, currency reform, road and school construction, encouragement of the fishery and savings banks, hoping that Nova Scotia would follow his lead. The report judged it important that Douglas had included his remarks on education and savings banks in the same paragraph. Again the link was

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<sup>26</sup>Novascotian, 2 February, 1825. The extent of concern felt by some over the poor is evidenced by the figures presented at meeting. The Society distributed already that winter 979 feet of wood and 7,000 gallons of soup to 1,326 needy individuals.

<sup>27</sup>Peter Burroughs, "Sir James Kempt," Dictionary of Canadian Biography VIII:458-465.

<sup>28</sup>Novascotian, 16 February, 1825.

made between thrift, education and improved political economy:

...it is must be apparent that His Excellency possesses a logical mind, and is intimately acquainted with the modern doctrines of political economy -- and this very instance must be held out as proof -- for schools are the education of the **mind** -- Savings Banks again the education of **habit** (*sic.*).

Edmund Ward, for his part, implored the rich to stop supporting the Poor Man's Friend Society and start putting their money in the Shubenacadie Canal or the South American trade.<sup>29</sup> Citing the contrasting examples of two poor men, one who saved and the other who did not, he called for savings bank to be established in Halifax after drawing attention to the success of the Fredericton Saving Bank.<sup>30</sup> Charles Rufus Fairbanks, a leading proponent of the Shubenacadie Canal and member of the Society, declared that while the Society was important and useful it should be considered only "temporary". A savings bank should be an "...object of the first importance, and one to which they should earnestly direct their attention, as intimately connected with the independence and happiness of our labouring classes."<sup>31</sup> This press provided motivations on several fronts. First of all, local pride was being stimulated to action in the face of the New Brunswick success and the continuing pauper problem. Secondly, it whetted the appetites of the putative

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<sup>29</sup> This was actually the second time he made the connection between the 'wasting' of capital through misplaced charity rather than investing it in development projects. An early attack on the P.M.F. Society was followed directly by a pitch by C.R. Fairbanks to the assembly for support for the Shubenacadie Canal, Halifax Free Press, 3 February, 1824.

<sup>30</sup> Free Press, 1 February, 1825.

<sup>31</sup> Novascotian, 2 February, 1825. See David Sutherland, "Charles Rufus Fairbanks," DCB VII:278-280.

bankers, Collins and Cogswell, to establish a savings bank to feed into their banking plans. Additionally, politicians undoubtedly were stimulated by the New York example where savings bank were used effectively to finance state expenditure.

By 1826 the momentum that had been building among private and public actors for the creation of the savings banks reached what seemed to be critical mass. In the winter session of that year An Act to facilitate the Establishment of Banks for Savings was passed.<sup>32</sup> The bill, drafted and introduced by C.R. Fairbanks, witnessed a speedy passage through both the council and assembly. This permissive act allowed for the formation of trustee savings banks which would offer depositors interest on their money. Any money received in the form of specie, rather than treasury or bank notes, was then redeposited with the government to pay down the funded debt of the province. This debt consisted predominantly of interest-bearing certificates issued in lieu of cash for Treasury Notes presented to the treasury for redemption. In return for every deposit of £100 and upwards at the treasury, the savings bank would receive certificates bearing four per cent interest, similar to the ones issued in lieu of cash for treasury notes. These certificates, unlike New Brunswick's, were transferable and endorsable. Once signed by a trustee they could be handed over to persons who could then present them at the treasury and receive the principal plus interest.

It is unclear exactly in what form the nominally working class depositors of the bank were to receive withdrawals. Savings banks were most attractive to the

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<sup>32</sup>Chapter 38, 7 George IV. Statutes of Nova Scotia, Vol.III, p.273. Compared to the New Brunswick act of 1825 it was short and simple, containing only five articles.

small saver when withdrawals could be made speedily and in the form of specie or small, safe notes. The certificates, while negotiable, were in large denominations, and required presentation to the treasury for redemption. This hardly would appeal to working class savers whose average accounts would be small and whose experience with such financial instruments was limited. Accordingly, withdrawals were probably expected to be paid in silver specie, treasury or bank notes. The certificates were the means through which the trustees claimed their interest from the government.

In the wake of this bill came a flurry of editorial support for the new savings bank. A series of five letters appearing in the Novascotian, entitled an "Essay on Savings Banks", depicted a vision of society and economy similar to the one espoused by Lieutenant Governor Douglas a few years earlier.<sup>33</sup> The essays, while highlighting the importance of a stable and contented working class to the prosperity of the colony, advised the reader that fate, talent, ambition and perseverance all worked against the equal distribution of wealth, that inequality was the "ordinary constitution of mankind." It was the duty of the rich to superintend the condition of the poor by supporting institutions tending to reduce their numbers. In an attempt to equate the colonial conditions with those of Great Britain, it was maintained the Poor Laws showed the folly of meddling with natural laws of supply and demand. Only by avoiding the temptation to assist the poor with misplaced public charity could increased intemperance, lewdness and other

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<sup>33</sup>Novascotian, 25 May, 1,8,16,22 June 1826.

"strong and vicious propensities" be averted. Savings banks were the rational answer to this problem. Interestingly, private eleemosynary aid was permissible since it maintained "bonds of feeling and sympathy, which are best calculated to bind and strengthen civil union". Public relief checked the impulses of the rich to be benevolent; the poor would not be encouraged to be deferential or evince the "noblest affections of the heart".<sup>34</sup>

The third essay outlined the benefits of savings banks in greater detail. Firstly, the physical security of savings was enhanced. Loss due to fire, theft or accident would be less. As well, savings would be protected from the poor themselves. Their natural proclivity to spend on vice, partly due to an inability to appreciate higher pleasures, would be tempered. Thrift and economy would enjoy greater compass as the poor began to realise the fruits of their discipline. The old hope that savings banks would decrease claims upon the public purse by the old, infirm and unemployed was also expressed. Older forms of aid, such as the Poor Man's Friend Society or the Poor House, should be dispensed with. The writer stated:

I wish the Institution (the poor house) unnecessary --- by raising and exalting the character of the poor -- by making them independent and moral beings, in place of the mean, pitiful applicants for public bounty. Savings Banks are one of the instruments by which change is to be effected and I therefore regard their establishment, here and on this account, a measure of essential and even National importance.<sup>35</sup>

Like Lieutenant-Governor Douglas before him, the writer hoped the savings

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<sup>34</sup>Ibid.

<sup>35</sup>Ibid.

banks would produce, in time, a group of savers from among the urban artisans and labourers who could remove themselves to the country and use their new funds to start farms. A society modelled on the English one, with a rural class of independent farmers, was to be encouraged.

(Savings Banks) ...supply the grand desideratum which is felt in every young country and particularly in this Province. Once supply this and the improvements of Nova Scotia will go forward with accelerated ratio. The resources of the Country would be hastened in their development and more speedily converted into the materials of foreign commerce.<sup>36</sup>

Add in an established form of religion, not those who "dose in fat slumbers in the church" but ones that encourage Sunday schools, regular education and you will have "... the exhilarating picture of a happy, independent and moral peasantry, contented with the fruits of their own industry and exalted in their character and conduct by that temperament of mind which results from the influence of conscious independent virtue."<sup>37</sup> These are no mean claims. Obviously, the writer was using rhetoric to assert his position. Still, the form and content of his discourse is derivative of the larger one existing in the North Atlantic world. Reduction of poor rates, moral and domestic education, and economic development were all within the benevolent ambit of the savings banks. Attainment of even part of the program would allow a bank supporter to presume a good work had been accomplished, regardless of other agendas or unconscious motivations.

Six years passed before a Halifax savings bank was actually established in

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<sup>36</sup>Ibid.

<sup>37</sup>Ibid.

1832. This hiatus, between the passage and amendment and implementation of the enabling bill, is an ideal illustration of the problematic nature of philanthropic motivations in the early nineteenth century context. While good theories exist to explain the appearance, *deus ex machina*, of the amended act in 1832, only Judith Fingard has attempted to explain why, after so much build up, it failed in 1826.<sup>38</sup> Fingard roots the non-viability of the savings bank in the same sour soil that failed to nourish Bromley's other pet project, the Poor Man's Friend Society in 1827. Transient humanitarian actors, such as Bromley, when removed from scene, took the *elan vital* from reform, stalling momentum. Local pettiness, financial meanness and immature cultural development created an "unsympathetic mentality" towards philanthropy during this early stage. This, not the assaults of ideologically hostile editors and critics, was the real reason for the lapse.<sup>39</sup>

It is highly likely that in the particular case of Halifax, an "unsympathetic mentality" contributed to the savings bank failure. Around 1826, prosperity returned to Halifax, lessening the need for philanthropic assistance of the poor. Once elites perceived a crisis had passed they lapsed into short-sighted indifference to the plight of the poor. Prosperity allowed the philanthropically-minded businessman the chance to do what he liked best -- provide employment opportunities for the poor. Poor rates fell as cheap, surplus labour was taken up once more. Another basis for the *non sequitur* of 1826 was the difference in

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<sup>38</sup>Fingard, "English Humanitarianism,"; Martell, A Documentary Study,; Naylor, "The Rise and Decline," all passim.

<sup>39</sup>Fingard, "English Humanitarianism," p.135

temperament and interests between Lieutenant-Governors, Douglas and Kempt. Kempt did not have the passion for savings banks evidenced by Douglas and therefore did not push so actively and personally for their creation. His involvement went only as far as official endorsement. This situation again evokes the need for a dynamic figure to spark philanthropy, without which local initiative flagged.

To balance this analysis, it should be noted there were extraneous factors that may have militated against the establishment of a savings bank. A severe epidemic of typhus and smallpox in 1827 would have channelled humanitarian impulses in more immediate and pressing directions.<sup>40</sup> Moreover, unlike New Brunswick, Nova Scotia's Lieutenant-Governors were often away. Michael Wallace, Provincial Treasurer and senior member of the Council, was administrator of the province for five months in 1828 and for the seven months between October, 1829 and May, 1830. His long, interspersed stretches as head executive, combined with his noted indifference to philanthropy for the poor or immigrants, contributed to a lack of leadership so crucial in the area of philanthropy.<sup>41</sup> As noted above, immediately before the departure of Kempt in May of 1824 he was entrusted with the task of making revisions to the savings bank plan but did nothing. The introduction of the act of 1826 by an assemblyman could have quite possibly been at the behest of Kempt who decided to outflank a resistive council. The action of

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<sup>40</sup>K.G. Pryke "Samuel Head", DCB Vol.VII:390-392.

<sup>41</sup>D.A. Sutherland, "Michael Wallace", DCB, Vol.VI:798-801; J.M. Beck, The Politics of Nova Scotia, See Appendix A, "Lieutenant-Governors and Administrators (1786-1867)", p.290.



specific personalities can affect the direction and outcome of policy as much as cultural morphology.

In general, the six years between 1826 and 1832 witnessed an intensification of the feud between the assembly and council over banking and currency issues. In this unsettled atmosphere, the sponsorship and running of a savings bank would have seemed highly problematic to even the most committed humanitarians. The middle class element, not ready to assume leadership in the philanthropic role, was fighting entrenched interests on the council over banking and related issues. The office-holding mercantocracy was concentrating its energies on defending the new Halifax Banking Company and their personally privileged positions as majority holders of the public debt. The provisions of the act which dealt with the paying down of the funded debt, a preoccupation of the assembly, would have been in direct conflict with the both the holders of that debt and directors of the Halifax Banking Company, which was using treasury notes to redeem its bank notes.

It has been suggested that the Halifax Banking Company, which reigned supreme in Nova Scotia from its inception in 1825, was responsible for the renewed interest in a savings bank in 1831. For Halifaxians, the bank was both a symbol and bastion of the power, influence, and autocratic nature of the clique that controlled the colony. Its marked control of the money supply and credit had allowed it to "...flourish like the green bay tree."<sup>42</sup> By 1831, however, calls from more junior mercantile interests for a competing bank coalesced at a meeting at the

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<sup>42</sup>Joseph Howe, quoted in Beck's Politics of Nova Scotia, p.107.

Exchange Coffee House. The move, spearheaded by William Lawson, member for Halifax county (1806-1836), included notables such as Mather B. Almon, Lewis Bliss, James W. Johnston, John Brown and Alex Murison.<sup>43</sup> The bank was supported by the likes of Joseph Howe, who as an entrepreneur, hoped competition would yield better terms of credit.<sup>44</sup>

Martell and Naylor assert that the bankers on the council, namely Cogswell and Collins, revived the savings bank solely as a scheme to foil the new competitor by attracting away its erstwhile depositors. While it was Lieutenant Governor Maitland who broached the matter in council<sup>45</sup>, they believe his memory on the subject had been quietly jogged beforehand.<sup>46</sup> Thus, his tabling of documents relating to the Saint John Savings Bank, his expression of regret at the failure of Nova Scotia's plan and his appointment of Cogswell and Collins to a committee to investigate the matter, were theatre, stage managed by his two wily banking councillors. Whether or not this is true is impossible to know for sure, so the interpretation of the facts, which in turn provides a basis for ascribing motivation, is crucial. Casting the councillors' reasons for past failures as window-dressing allows construction of self-interested conspiracies. Four objections exist to the "greed" interpretation being accepted unequivocally.

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<sup>43</sup>Acadian Recorder, 31 December, 1831.

<sup>44</sup>Beck, Politics of Nova Scotia, p.107. Lawson himself was oriented towards the country faction in the assembly rather than the council clique. In Howe's words he was "... too plain spoken and would not bend to the views of that body." J.H. Nokes, "William Lawson," DCB, Vol. VII:491-492, p.492.

<sup>45</sup>Minutes of Executive Council, 26 November, 1831, PANS:RG1 V195.

<sup>46</sup>Naylor, "Rise and Decline," p.519; Martell, A Documentary Study, p.21.

The report's tone does not reflect the devious machinations attributed to the two councillors. Cogswell and Collins plausibly maintained that the savings bank was never implemented because the projected interest rate of four percent was too low "...to allure persons to become depositors and to counteract habits of dissipation and extravagance."<sup>47</sup> The four percent offered, less one percent for costs, would pay depositors only three percent, compared to the five percent New Brunswick depositors received after costs. This was not "...sufficient inducement to deposit the savings of summer and season of health and vigour in order to meet the exigencies of winter or sickness."<sup>48</sup> A delay was advised until winter ended before opening since the "...classes for whose benefit it is chiefly intended..." would not be in a position to deposit any sums until summer earnings began. Finally, Cogswell and Collins recommended that the legislature be requested to amend the Act of 1826 so that six percent interest would be allowed on sums deposited in the provincial treasury.

Martell, on the other hand, simply alludes to the council's fear that if Maitland initiated any moves the assembly might reject "their" plans because of the enmity existing between the branches of government in the aftermath of the Brandy Dispute of 1830. While that tension was real, Maitland, in accepting the report and recommending its adoption by the assembly, was simply following **his councillors'** advice. It seems odd that they would advise a course of action which they did not

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<sup>47</sup>Ibid. 9 January, 1832.

<sup>48</sup>Ibid.

approve. The amending act, while introduced by Jotham Blanchard, their "newly won friend" in the assembly, was not quite the underhanded ploy it has been portrayed to be.

Secondly, both Martell's and Naylor's interpretations leave little room for the play of the humanitarian conscience, in the process caricaturizing complex actors as flat and one-dimensional personalities. Cogswell was certainly noted for his philanthropy. He had been a member of the defunct Halifax Poor Man's Friend Society, in addition to holding numerous other charitable positions.<sup>49</sup> Cogswell's character, strongly evangelical, was a "...blend of rigid toryism, business vision, and community stewardship.. .."<sup>50</sup> Samuel Cunard and Michael Tobin, two other banker-councillors, were also actively involved with the poor. They provided for the settlement of immigrant paupers on farms in 1817 and for the feeding of the same with outdoor soup kitchens in 1820.<sup>51</sup> The councillors H.N. Binney and Michael Tobin had taken part in the savings bank deliberations of the Halifax Poor Man's Friend Society in 1824.<sup>52</sup> While Maitland was no dynamic statesman, he was a religious, sober man who would be expected to approve wholeheartedly of the moral and temperance aspects of a savings bank. This, plus previous absences

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<sup>49</sup> Vice-president of the N.S. Bible Society, and the Diocesan Church Society of the Church of England; president of the Royal Acadian Society, the Association for the Aid of the Colonial Church Society, and the Halifax Library Committee; and director of the Halifax Agricultural Society. He also supported the Halifax Mechanic's Institute and King's College Alumni Association. See: Sutherland, "H.H. Cogswell," DCB Vol VIII:168.

<sup>50</sup>Ibid., p.169.

<sup>51</sup>Blakeley, "Samuel Cunard," DCB Vol.IX:175.

<sup>52</sup>"Proceeding of The Poor Man's," 3 April, 1824.

from Halifax possibly led him to bring up the idea at that particular time.<sup>53</sup> Thus it is possible to argue that Maitland and various councillors genuinely thought the Act of 1826 had been deficient and the time had arrived to amend it.<sup>54</sup>

Another problem with the 'stumbling block' thesis pertains to the nature of nineteenth century banking. The prime profit taking mode of the merchant bank was in discounting bills of exchange, commercial paper and the related activity of issuing bank notes. Until the 1880's, chartered banks as a rule did not pay interest on deposits. Merchants keeping money in bank accounts did so for security or collateral reasons, not interest accumulation. Savings Deposit 'departments' of banks were a phenomenon of later years.<sup>55</sup> For instance, a chronicler of the Halifax Banking Company asserts that while the Bank accepted deposits it did not solicit them, "...and in fact paid little attention to this branch of business as a source of profit."<sup>56</sup> Yet, Naylor claims that Cogswell and Collins sought to "...hamper the development of a deposit business by any rival commercial bank...."

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<sup>53</sup>Hartwell Bowsfield, "Sir Peregrine Maitland," DCB Vol VIII:596-604.

<sup>54</sup>Naylor on the other hand assumes that the councillors suggested the 6 percent rate to Maitland so that there would be less pressure to refund the debt they held at 6 percent. Again, this stance totally ignores the possibility that the 3 percent actually was too low. After all the council had approved the rate set in 1826.

<sup>55</sup>Adam Shortt, "History of Canadian Currency, Banking and Exchange," Journal of the Canadian Bankers' Association, Vol VIII 1900-01:145-164, p.153. For instance he provides evidence that in 1820's the Bank of Montreal paid no interest on deposits. See also H.M.P. Eckardt's, Manual of Canadian Banking, (Monetary Times: Toronto, 1909) which declares that saving deposits were a "...comparatively recent development in Canadian Banking. Twenty-five years ago the great bulk of the bank deposits was contained in the current accounts and deposit receipts; the savings department was almost unknown." p.53.

<sup>56</sup>Victor Ross, The History of the Canadian Bank of Commerce, Vol.I, (Southam Press: Toronto, 1921), p.59.

The savings bank, by their own admission, sought to attract a "class" of depositor who, besides being prone to habits of dissipation and extravagance, waited for spring to find employment and wages, hardly the type of person who would be expected to patronise commercial banking establishments like the Halifax Banking Company and Bank of Nova Scotia --- even if they had savings accounts. Thus the idea that astute businessmen like Cogswell and Collins believed a savings bank would jeopardise the prospects of the Bank of Nova Scotia is misguided. Martell himself admitted the weakness of this argument when he stated "The old bankers were capable of more effective obstructions..." such as restrictive charter provisions.<sup>57</sup>

The mechanisms set up in the legislation passed in 1832 to use savings deposits to pay off treasury certificates in cash did not increase significantly the room for banks to issue their own notes as some have postulated.<sup>58</sup> This is the fourth objection. Treasurer Charles W. Wallace (1830-1845) often could not retire the funded debt of the province with the bank funds as required by law.<sup>59</sup> Besides his embezzlements, other reasons accounted for this failure, not the least of which was the unsettled currency situation and economic depression that plagued Nova Scotia in 1832.<sup>60</sup> The general scarcity of specie was exacerbated so that depositors placed mainly treasury notes or the notes of the Halifax Banking Company into

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<sup>57</sup>Martell, A Documentary, p.22.

<sup>58</sup>Naylor, "Rise and Decline," p.519.

<sup>59</sup>Martell, A Documentary Study, p.21; Journal of House of Assembly, 1845, Appendix 28, provides some details on the misappropriations of the treasurer, Charles Wentworth Wallace.

<sup>60</sup>Martell, A Documentary, p.30.

their accounts. Since the savings bank act allowed for only specie deposits of gold or silver to be put towards the funded debt, only to the extent that working class depositors were paid in specie would their deposits enable the treasurer to redeem treasury notes and expand the scope for banknotes. Unless the councillors thought that these working poor had gold and silver they must have known such problems would result.<sup>61</sup>

Further doubt about the logic of Naylor's arguments about the expansion of banknote issues arises when looking at treasury note issues. Those issued in 1826 and 1828 were not redeemable in specie and therefore not open to diminution with savings bank funds.<sup>62</sup> Thus the savings bank's role in the reduction of the funded debt would have been to reduce the funded debt already owned by the 'family compact'.<sup>63</sup> By the opening of the savings bank in 1832, the notes of the Halifax Banking Company already far outstripped treasury notes as outstanding issues.<sup>64</sup> Under these circumstances the relative advantages of the savings banks for the conservative elite are not clear. As bankers they stood to gain profits if note issues became easier but as creditors they also stood to lose a lucrative source of income if

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<sup>61</sup>The savings bank was unable to help reduce the funded debt for years to come. In 1837, Lieutenant Governor Campbell noted in an address to the assembly that while the institution had provided a "salutary...influence on the habits of the labouring and poor classes of the Community, ... a compliance with that (funded debt) provision has hitherto been found impracticable -- Deposits with very few exceptions having been paid in Treasury notes...."Journal, 1838, p.134.

<sup>62</sup> Martell, A Documentary Study, pp.23-24, McCullough, Money and Exchange, pp.151-152.

<sup>63</sup>In 1831 the partners of the Halifax Banking Company held 35.7% of the funded debt, Martell, A Documentary, p.31.

<sup>64</sup>Martell, A Documentary, p.26.

the large portions of the funded debt they held in the form of treasury certificates was paid off. Furthermore, until 1834, the Halifax Banking Company had the legal right to redeem its notes in either specie or treasury notes. Yet, if the savings bank actually functioned as Naylor asserts the commercial bankers hoped it would, they would have seen their ability to redeem bank notes in treasury notes reduced. This would hinder profit maximization since specie was scarce and costly to import, while post-1828 treasury notes were discounted against coin.<sup>65</sup> Using more specie in this way would have increased both operating expenses and opportunity costs. Not until 1834, after two years of financial chaos propagated by the internecine bank war, was the Halifax Banking Company directed to redeem its notes in specie if demanded.<sup>66</sup> Having dealt with the possible motives behind the bill's creation we turn to the legislation proper.

When Jotham Blanchard introduced the council's bill in the assembly in 1832 the nascent reform members quickly amended it in two important respects. First, the honourary trustee concept was replaced with a clause that favoured government appointed and salaried commissioners. Secondly, the interest rate was reduced from 6 to 5 percent, with one percent being reserved for the expenses of the bank. In practice this amounted to the salary of the commissioner or cashier. The first amendment served to undermine any hopes that the councillor-bankers would have had of directly controlling the savings bank monies. All monies held by the bank,

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<sup>65</sup>McCullough, Money and Exchange, By 1832 they were depreciated between 2% - 8%, p.152.

<sup>66</sup>McCullough, Money and Exchange, p.153.



even those not converted into treasury certificates, would be in government hands.

Other important features were ceilings on individual accounts and total bank liabilities of £50 and £15,000 respectively. Once the bank had £15,000 deposited at the treasury it could not accept more money from depositors. Edward Duckett Jr., assistant to the Provincial Treasurer, Charles Wentworth Wallace, became cashier.

Another amendment to the old bill was the proviso that no depositor could deposit more than £50 in one year.<sup>67</sup> This was made to restrict the benefit of the bank to lower income workers.

The Halifax Savings Bank, run out of the treasury office in Province House, opened on 14 July, 1832. Later that month notices appeared in the local newspapers informing the public that deposits, not less than one shilling, could be made every Monday, between Ten A.M. and Three P.M. Withdrawals, permitted on the same day, required a week's notice.<sup>68</sup> The expected beneficiaries of the bank were described as "...Tradesmen, Mechanics, Servants, Labourers, and others of the Labouring Classes, Seafaring Men, Non-Commissioned Officers, and Privates in the Army, and Charitable Societies."<sup>69</sup> At the time, some thought Province House too intimidating and that a "room of less pretension, and more accessible, attended by a

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<sup>67</sup>"An Act to amend the Act to facilitate the Establishment of Bank for Savings," 2 William IV, Chapter 41 Statutes of Nova Scotia, p.163;

<sup>68</sup> A readjustment of business hours had taken place even before opening day, probably to accommodate the schedules of workers more generously. A copy of the rules of the bank sent to the council in June stated that the hours were to be 8 to 10 A.M. "Minutes of Executive Council," 22 June, 1832, RG 1 Vol.195, p.457.

<sup>69</sup>PANS:"Depositor Passbook", MG 100, Vol.27 #11 (1832); Novascotian, 25 July, 1832. The first ten words of this identifying clause were drawn directly from the New Brunswick legislation.

gentleman of commercial habits ... to attract attention, and create familiarity and confidence,"<sup>70</sup> would be preferable. Their fears, however, were never justified since the bank was an immediate success.

The inclusion of seafaring men, non-coms and privates clearly intended to provide a safe haven for the wages of soldiers and mercantile sailors. Military men never had enjoyed savings banks in the Citadel town. Their admission signified an attempt to provide for their control and uplift since they were responsible in the minds of respectable citizens for much of the depravity of Halifax. Reducing the immoral activities of soldiers and sailors would attenuate the liquor and prostitution demand filled by the denizens of the upper streets and lower sailortown. Furthermore, marshalling their savings increased the overall viability of the bank. Not to be forgotten too, was the hope the desertion rate of soldiers, commented on above, would decline as enlisted men accumulated property.<sup>71</sup> Lieutenant-Governor Colin Campbell, who replaced Sir Peregrine Maitland, the nominal originator of the 1832 Act, supported military savings banks. He pointed with envy to the American example, where, he believed, their location at frontier posts served to connect soldier and country through self-interest, thus putting a check on his "evil passions".<sup>72</sup>

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<sup>70</sup>Acadian Recorder, 21 July, 1832.

<sup>71</sup> Between 1830 and 1835 desertions in Nova Scotia command rose from 80 or 3.2 percent of average annual force to 101 or 4.5 percent. Burroughs, "Military Savings Banks," p.331.

<sup>72</sup>Ibid., p.332. Campbell made these comments to the Royal Commission on Military Punishments in 1836 while still stationed in Nova Scotia.

The inclusion of charitable societies led, as in New Brunswick, to the opening of accounts by many organizations in the years following the erection of the bank in 1832. The Shipwright Union Society and the Coopers' Society are examples of the participation of occupationally based friendly societies. The Liverpool Congregational Sewing Society and the Halifax Catholic Ladies Benevolent Society were religious groups that enjoyed the bank's benefits. Various others were the Coloured Female Society, the African Constitution Society, the Hand-in-Hand Fire Company, and a Total Abstinence Society. Over time the types of such accounts widened to include organizations outside the scope of benefit or fraternal societies. In 1859, for instance, Lawrence Hartshorne, Halifax City treasurer opened an account for the fund raising committee of a new hospital.<sup>73</sup>

In general, there are major similarities in the origins of savings banks in both New Brunswick and Nova Scotia. A constant discourse maintained in the newspapers reflects a vision of society predicated on amelioration of social dislocations coupled with the development of the colonies. During the early stages however, the development envisaged by at least one philanthropically minded booster was one of increasing agricultural competency through the creation of more independent 'yeoman' farmers. Urban savers should become rural producers. The historical fact that this facet of development was both tacitly and overtly resisted by

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<sup>73</sup>From samples taken from signature books in RG 3 for years 1836-38, 1839-43, 1859-60:NAC. It is interesting to see such an endeavour utilizing the benefits of the savings bank since the hospital, and the many societies themselves, represented an important examples of the middle class institutional impulse in Halifax. See David A. Sutherland, "Voluntary Societies and the Process of Middle-Class Formation in Early-Victorian Halifax, N.S.," forthcoming paper in Canadian Historical Association Journal, 1995.

powerful factions, highlights the ultimate failure of that vision to gain dominance. Tariffs, land use, distribution and sale were never designed to favour widespread agricultural settlement by the independent masses. Moreover, the failure of any of the savings banks discourse to mention fishermen in Nova Scotia, whose produce was a main export staple, demonstrates the narrow vision of urban based boosters. The idea of development which centred on notions of a stable, organic community is a conservative one. In the end, the liberal laissez-faire strains, stressing an industrial morality focused on the individual, became key. Moral, not environmental, reform through the genius of institutions was highlighted. With the passage of time, notions of progress too transformed themselves, from an older form based on achievement constrained by tradition and deference, to a modern one where a disordered society built institutions allowing for both personal advancement and impersonal debasement or failure. Infrastructure projects, such as canals and railroads, or large factory run consumer-based manufacturing industries, became synonymous with development. In the process however, the chaos that these innovations introduced reduced the conservative notion of development to a quickly fading dream.

## Chapter Three

### The Nova Scotia Savings Bank, 1832-1847

Savings banks are one development among many comprising the financial evolution of the region between the end of War of 1812 and Confederation.<sup>1</sup> This era may be divided into two periods, one between 1812-1848, the other spanning the years of responsible government, 1848-1867. During the first period, the dominant socio-economic ideology which informed the role of government and its institutions shifted from the earlier vision of independent mercantile concerns forming the cornerstone of provincial success to one increasingly predicated on state action. This is not to suggest that the colonial state had not actively sought to promote the commercial well-being of the province before, but that means and strategy used had begun to change. This historical development, besides affecting the framing and implementation of savings bank plans, also determined the banks' evolution throughout the years. As political realities and personalities changed, so too did the financial mandate of the savings banks.

The operational circumstances of the Halifax savings bank reflected state involvement peculiar to Nova Scotia. Provincial Treasurer Wallace's assistant, Edward Duckett, was appointed commissioner and cashier in 1832. He held then

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<sup>1</sup>For the local development of another financial intermediary, the insurance companies, see B.E.S. Rudachyk, "The Most Tyrannous of Masters: Fire in Halifax, N.S., 1830-1850" (M.A. thesis, Dalhousie University, 1984).

three positions, the other being clerk of the Commissioners of the Board of Trade.<sup>2</sup> He managed the bank out of the treasurer's office in the south-west corner of Province House. His various positions, together with the official interconnection between the treasury notes, the funded debt and bank deposits, intricately bound the bank's business with the day to day operations of the treasurer's office. Duckett worked amongst piles of warrants, treasury notes, memoranda and official correspondence. Like his father, Edward Duckett Sr., he epitomized the nineteenth century office clerk. Overworked and underpaid, he suddenly found himself with new and onerous responsibilities. Duckett must have been constantly aware of the precarious basis of his employment. Indeed his father had been unceremoniously dumped at the age of 71 when changes to imperial customs in 1826 made his services superfluous.<sup>3</sup> He later claimed his selection as cashier was unsolicited,<sup>4</sup> but certainly, whatever his initial interest, a peek into the future would have occasioned strong second thoughts.

The minutiae of banking, requiring continuous and assiduous concentration, made it difficult for Duckett to adequately attend to all his tasks. Layered over the general clutter and sporadic chaos of the treasury was the increasing dissatisfaction with the operation of the treasury evinced by politicians in the assembly, and from

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<sup>2</sup>Duckett received £40 per annum and £80 per annum for the Board of Trade and Assistant Treasurer jobs respectively. The £40 was voted annually by the legislature while the £80 came out of the Treasurers pocket. "Blue Book" 1841 p.82, PANS, "Provincial Secretary: Letters Received", Vol.6 No. 157, RG7: PANS.

<sup>3</sup>"Governors Petitions" 1827: RG5 Vol.6 No.4, "Treasury Papers" 1 March, 1836: RG1 Vol.241 Doc.42.

<sup>4</sup>"Petitions to Assembly" 2 February, 1853: RG5 Vol.46 No.82.

time to time, the council. Nova Scotian history between the War of 1812 and responsible government, although a era of increasing financial complexity, reflected both by the growth of banks and other financial intermediaries, as well as the diversified fiscal agenda of the government, was still a period of drift and disorganization for the leading sector of government -- the treasury. Its outmoded machinery, based on eighteenth century notions of hereditary responsibility and personal involvement and private 'Cratchit' clerks became increasingly unable to deliver the efficient, accurate and honest administration that an evolving government came to demand.

Haligonians quickly began to patronize the savings bank in substantial numbers, providing for balance increases of more than five percent per annum which signified 'real' growth. Theoretically, a balance increase of five percent or more during year '2' allowed redemption of all deposits from year '1', with interest, plus a net increase. The balance, brought forward at the end of the fiscal year in December, were deposits remaining on account after withdrawals, plus interest accumulations. Deposits, really a five percent loan to the government that might be recalled at any time, in practice were withdrawn in a fashion that allowed government indefinite access. As accounts closed, the principal and five percent interest was repaid, but these annual liabilities could be easily met from current government revenues. As well the total amount of liabilities was limited by statute. A small but clear form of profit taking for the bank was the interest surplus accumulated every fiscal quarter for interest payments made during 'broken

periods'. If a depositor withdrew their funds in the middle of a quarter, they received no interest for that quarter or broken period. The bank, however, received interest credits for those monies until the end of the quarter.

Table 1 gives an idea of the number of depositors and the extent of business between the years of 1832 and 1867.<sup>5</sup> It is an accounting of the savings bank's balance at the treasury from the treasurer's point of view. Because of interest payments, the amount owed depositors was always a bit more than the nominal balance in the treasury. This amount, which represents the official ceiling on total deposits, grew each decade until Confederation. Each year various sums were paid the treasury representing the actual amount the government was receiving for its current account purposes. Oftentimes, as in 1856, the deposit/withdrawal difference was not enough to account for the amount paid the treasury. For these years excess withdrawals were probably met with treasury certificates from the treasurer in lieu of cash or treasury notes.

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<sup>5</sup>Source: Martell, A Documentary Study, Appendix III; Journals, House of Assembly: 1837, App.52; 1841, App.41; 1845, App.19; 1846, App.33; 1847, App.28,31; 1848, App.34; 1856, App.1; 1857, App.47; 1858, App.55; 1860, App.'Pub Accts'; 1862, App.21; 1863, App.25; 1864, App.22; 1865, App.23; 1866, App.37; 1867, App.30. Year Book and Almanac of British North America, 1867; Year Book and Almanac of Canada, 1869; Novascotian, 6 April, 1833. Exactness of figures depends upon existence and veracity of reports and accounts. Errors of Treasurers and Cashier corrected when possible. Figures in "Owed Depositors", when less than adjoining "Balance at Treasury" are doubtful. Since "Owed Depositors" includes interest it should have always been larger.



**Table 1**  
**The Halifax Savings Bank, 1832-1867**

<u>Year</u>	<u>Patrons</u>	<u>Deposits</u>	<u>Withdrawn</u>	<u>Balance</u>	<u>Treasury</u>	<u>Owed Public</u>
1832	127	£2388	£125	£2200	£2200	£2263
1833	N/A	N/A	N/A	3600	5800	N/A
1834	N/A	N/A	N/A	2000	7800	N/A
1835	333	3176	1083	4000	11800	11942
1836	366	5,894	3142	3200	15000	15340
1837	N/A	N/A	N/A	0	15000	N/A
1838	N/A	N/A	N/A	1000	16000	N/A
1839	N/A	N/A	N/A	3000	19000	N/A
1840	401	5821	5633	1000	20000	20337
1841	N/A	N/A	N/A	3000	23000	N/A
1842	N/A	N/A	N/A	1500	24500	N/A
1843	N/A	N/A	N/A	2500	27000	N/A
1844	825	7291	8409	0	27000	27407
1845	796	7229	8775	0	27000	26897
1846	927	13545	6581	8000	35000	34997
1847	1009	15067	11611	5950	39800	39838
1848	N/A	N/A	N/A	N/A	39100	N/A
1849	N/A	N/A	N/A	1800	40900	N/A
1850	N/A	N/A	N/A	N/A	N/A	N/A
1851	N/A	N/A	N/A	N/A	N/A	N/A
1852	N/A	N/A	N/A	N/A	49000	N/A
1853	N/A	N/A	N/A	1000	50000	N/A
1854	N/A	N/A	N/A	20500	70500	79898
1855	N/A	N/A	N/A	21500	92000	N/A
1856	N/A	47170	37277	14000	106000	N/A
1857	1723	43481	41480	6300	112300	112113
1858	1801	N/A	N/A	12700	125000	126823
1859	1651	25908	31277	0	125000	126181
1860	N/A	N/A	N/A	0	125000	N/A
1861	N/A	29222	32331	0	125000	127882
1862	1690	21624	26818	0	125000	128890
1863	N/A	N/A	N/A	9000	134000	138769
1864	N/A	N/A	N/A	12500	146500	147974
1865	2400	70000	56250	13500	160000	165111
1866	2302	N/A	N/A	0	160000	166458
1867	2343	N/A	N/A	0	160000	N/A

Table Two is a breakdown of the various occupations of those using the bank.<sup>6</sup> For many years prior to Confederation, two savings banks in the Maritime, Saint John and Halifax, maintained signature books which were signed by all new account holders.<sup>7</sup> From these books a series of lists were constructed on the basis of simple systematic samples using every fourth record or in some cases every record.<sup>8</sup> One of the first things that strikes the reader of these records is the extent of the paternalism that pervaded both banks. In Halifax many accounts were opened for workers by their employers or for children by their parents. Even unskilled or semi-skilled workers who opened accounts on their own verified their identity and position by stating that he or she was known by such and such person, usually of a higher status. This practice, besides speaking to the paternalism of the era, also probably relates to another pervasive fact -- transiency. People recently moved to the area needed some form of reference to open an account. In Halifax depositors did not actually 'sign' the signature book themselves. Duckett tended to note who opened the account with either "by himself" or "signs himself", but it is not absolutely clear whether the person was illiterate if the later designation was not used. Presumably many would have been functionally illiterate, the scratching of their names the bare minimum skill that many possessed. For uneducated

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<sup>6</sup>Source: Signature Book for Halifax Savings Bank 1836-1848, Vol.1111 RG 3:NAC.

<sup>7</sup>See Chapter One, Note 22.

<sup>8</sup> While using spaced samples allows for a greater swath of depositors to be sampled, using every record for a stretch of time allows for particular familial and residential connections to be observed. The categorization of occupations is necessarily arbitrary and difficult to do. In general, earlier classification models have been followed in particular Acheson's breakdown pattern for Saint John.

depositors, this was another paternalistic hurdle that had to be overcome before they could use the bank.

**Table Two**  
**Classification of Depositors, Halifax, 1836-38**

Group	N = 309	Percent
High Status	0	0
White Collar	4	1.3
Skilled Trade	35	11.3
Semi-skilled	74	23.9
Unskilled	59	19
Servants	73	23.6
Children	19	6.1
Married Women	23	7.4
Widows/Spinsters	7	2.3
Other	12	3.9

Table Two, reveals that the clientele of the bank were best described as working-class during this period.<sup>9</sup> In keeping with the tenets of thrift banking there were no high status depositors using the bank. 23.6 percent of depositors in

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<sup>9</sup> Examples of occupations used in the classification are as follows: High Status – merchants, leading officials, prominent professional groups such as doctors and lawyers; White collar – grocers, clerks, minor government officials, teachers; Skilled Trade – artisans, carpenters, shipbuilding trades, masons, master mariner; Semi-skilled – teamsters, truckmen, painters, farmers, fishermen, milliners, seamstresses, soldiers, sailors; Unskilled – labourers, vendors, pedlars, washerwomen; Servants – female domestics, male servants usually to gentlemen or military officers; Other – occupation unknown, societies and estate/trust accounts. Children, Married Women and Widows/Spinsters are self-explanatory.

Halifax were servants, a percentage in keeping with other sources.<sup>10</sup> Something which government sources do not allude to was the large presence of male servants who accounted for 36.9 percent of servant depositors.<sup>11</sup> In Halifax a marked tendency to imitate the customs of the British military was exhibited by local elites. Several of the male servants worked for military officers, high office holders such as Rupert D. George, the provincial secretary and one-time supreme court justice S.S. Blowers. Aristocratic British officers, and the office holding elite who emulated them, were among the few classes in colonial society that both desired and could afford higher priced male servants. Successful merchants or 'Practical' men of business possessed both male and female servants. While Enos Collins, A.M. Uniacke, and H.H. Cogswell opened accounts for female live-in servants, William A. Black, and James Allison, as well as Dr. William Almon, all employed male servants with accounts at the bank.

The development of pre-responsible government state capitalism in Nova Scotia continued during the bank's first decade of operation. In 1833, an assembly committee comprised of Solicitor-General, Charles R. Fairbanks and James Shannon Morse, after reporting favourably on the affairs of the bank, recommended that its regulations be recast. Specifically, they sought to "...extend the benefits to a more

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<sup>10</sup>See Dan Bunbury, "Poor Man's Purse?: The Halifax Government Savings Bank, 1832-1855", unpublished paper, Dalhousie History Seminar, 1993.

<sup>11</sup> Another sample from Halifax (1839-43; N=285) yielded 60 servants, exactly one-third or 33.3 percent of whom were male. One of those, Charles Kavanagh, was a servant in the household of savings bank booster, Charles R. Fairbanks. Three were from Sable Island, while another lived with a military officer. Obviously the term "servant" for males covered a wide range of activities.

numerous class of depositors and to render available for the public service of this year some part of the monies for which Savings Bank Certificates may be issued in case of necessity."<sup>12</sup> Wallace would be empowered to apply any monies, notwithstanding those directed at the funded debt, to the payment of treasury warrants "... as such time as the treasury notes in his possession shall be inadequate to pay off and satisfy such warrants." In return the bank's commissioners would receive £50 treasury certificates bearing five percent. In addition, Fairbanks included a clause which sought to keep for the "General Service of the Treasury" any money that might remain after Duckett paid management expenses out of the one percent allowed for such purposes. The clause of the 1832 Act which limited deposits to £50 per year was to be suspended and replaced with one that allowed £100 in total.<sup>13</sup>

Direct funding of a capital project was not legally provided for under the terms of the enabling act. Therefore, the role savings bank funds could play in assisting development schemes would be an indirect one. For instance, the capital outlay required to build the Shubenacadie canal was immense compared to the total deposits of the bank. The initial charter granted in 1826 called for £60,000 cy to be raised through the sale of shares. However, in addition to this sum the provincial

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<sup>12</sup>Journal, 1833:Appendix 49.

<sup>13</sup>RG5 Series "U", Vol 11 1830-33:PANS. This bill was written and introduced by Fairbanks. The bill was killed by deferring it to the next session. Resistance by members adverse to widening the rules of inclusion was also a factor. Since the by-laws already admitted a large swath of the 'working' population, Fairbanks had his eye on the more well-off clientele. Including persons enjoying substantial means, or of professional, non-manual status, was an anathema to many. Not deserving objects of philanthropy, public or private, they should not have been able to enjoy the benefits of the bank.

assembly granted £15,000 to the enterprise.<sup>14</sup> This was the same sum as envisioned for the Savings Bank in the 1826 legislation. Because of cost over-runs and poor construction techniques, as well as the fact that the small local market for shares was saturated, the Shubenacadie Canal Company was forced to turn to the imperial government for a loan for of £30,000 cy secured with mortgages on land tracts owned by the company. Backing this loan was a new provincial government guarantee of the interest on the loaned capital up to £1,500 a year for ten years.<sup>15</sup> Allowing the provincial treasurer to use savings bank funds to pay warrants on the treasury created a vehicle whereby the province increased its ability to meet either those interest payments or free up money that would otherwise not be available for that purpose.

Fairbanks' vision, development oriented and pragmatic, was in many ways ahead of his time. His promotion of the Shubenacadie Canal, legal reform, currency stabilization and bank charters highlight his expansive, progressive outlook. These positions, and his penchant for seeking high office, also earned him many enemies, especially in the assembly and probably contributed to the failure of his bill. Yet it is certain that the measures he proposed were an attempt to create fiscal room for the government to manoeuvre, leading directly to an enhanced

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<sup>14</sup> See Charter and Bylaws of the Shubenacadie Company with the Act of the General Assembly of Nova Scotia Relating to the Canal, (Halifax, 1829). This sum was to be paid out in incremental sums upon completion of the sections of the canal, a system that would ease the strain on the treasury and, conceivably, allow the savings bank to provide the money without undue strain.

<sup>15</sup> See General Abstract – The Shubenacadie Canal Co, 1832, (Halifax, 1832) and Report of the Board of Directors of the Shubenacadie Canal Company to the Shareholders at the Annual Meeting, 28 February, 1831, Halifax, (Halifax: P.J. Holland, 1831).

ability to complete public works. Attempts to increase the amount of business the bank undertook by broadening the depositor pool and to direct savings bank funds into the public service are clear signs of the emergence of a development *mentalité* based on state intervention that in turn required new fiscal levers.

It is the potentiality held forth by the bill proposal that is significant in and of itself. Politicians did not craft bills designed to increase government debt without some idea, or hope, about how the money obtained would be spent. While responsible government perfected the machinery for greater and more efficient transmutations of public capital into infrastructure, the embodied ideas and vision behind such state programs did not simply eventuate *pari passus* with political responsibility. The technique of meeting interest payments due on capital loans with savings bank funds assisted the railway programs of Nova Scotia during the 1850's and 1860's and the construction of the Canadian Pacific Railway by the federal government in the 1880's. The capital pools provided by the savings banks of all three eras were small compared to the total amount capital borrowed abroad to pay for infrastructure projects. Governments in British North America, however, seldom tried to finance the capital requirements of canals and railways with savings bank funds in the fashion so successfully exemplified in New York, so the record can never show what might have been accomplished if they had tried. Nonetheless, from very early on in the Maritime colonies the idea that savings banks could assist in other ways was envisioned, tried, and as time went on, perfected.

The pre-responsible government period was one of political experimentation and failure. While private members might introduce bills with greater ease than they later enjoyed under responsible government, their passage was more problematic given the lack of party discipline. Politicians hoping to encourage state enterprise were charting new courses for the ship of state that did not always work out as intended. With little control over fiscal levers, beyond votes for specific sums like the road appropriations, claims of individual assembly members were but one of several clamouring to be heard. While proponents of state backed or assisted enterprise had not reached the level of articulation evident in the "Railway Age", they did propound similar ideas with regards to extended uses for the savings bank. The institution was one of the few conceivable ways capital might be directed into government hands and assist it to bear costly loans or avoid inflationary printing of treasury notes. Certainly Council, never a money printer, decided that parts of Fairbanks' idea could be useful. Using its executive power over the management of the bank it authorised Wallace to use bank funds arriving in the form of Province or Bank Notes, along with receipts from Customs and Excise, to pay off some £2793 of warrants outstanding.<sup>16</sup>

It was clear that the reduction of the funded debt, somewhat derailed in 1833, still lagged in 1837. The main reason was the scarcity of specie. Patrons of the bank were depositing treasury notes, or increasingly, bank notes, but little silver and less gold. Since the law allowed only gold or silver to be applied to the

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<sup>16</sup>"Minutes of Council," 9 July, 1833, Vol 194:PANS.



reduction of the funded debt, Treasurer Wallace had been unable to fulfil its provisions. Accordingly, Lieutenant Governor Campbell, acting on advice from a superintending committee of council members, asked the assembly for amendments to the 1832 act.<sup>17</sup> By this time it was in the interest of the banker-councillors to ensure the provisions were followed since both commercial banks were required to redeem their notes in gold on demand. This requirement reduced the treasury notes' utility, since they now obstructed note issues for all banks.

The assembly, always anxious to pay-off the old funded debt, assented to the proposal and passed a bill the very next month.<sup>18</sup> The bill was both restrictive and expansive. The bank's treasury balance limit was increased from £15,000 to £20,000, but strict provisions were inserted to ensure the 'new' money was used to fund the debt and "for no other use or purpose whatsoever...." The assembly however, had a tenacious opponent in Wallace, the treasurer, who seems to have inherited his father Michael's penchant for stubborn, irascible obstructionism.<sup>19</sup> His predilection to operate the treasury as an independent, private fiefdom, was running up against an assembly increasingly interested in seeing an efficient and accountable bureaucracy. Four years later, in 1841, the assembly passed another bill.<sup>20</sup> The balance ceiling

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<sup>17</sup>Journals, 1837: Message from Campbell to Assembly, 22 March, 1837.

<sup>18</sup>"An Act relative to the Establishment of Banks For Savings" Chapter 45, William IV, 1837. Passed 21 April.

<sup>19</sup> Shortly before his death "King" Michael was criticized for failing to pay off treasury notes when money was available in the treasury to do so and thus charging the province's taxpayers unnecessary interest on the funded debt. Colonial Patriot, 10 June, 1829.

<sup>20</sup>"An Act to increase the usefulness of the Savings' Bank at Halifax," Chapter 55, Victoria 4, 1841,

was raised again, this time to £27,000 and the proceeds directed towards reduction of the funded debt. In strong language, Wallace was reminded: "**Provided Always**, that it shall be the duty of said treasurer, and he is hereby required,... for so paying off part of the funded debt." Furthermore, the individual deposit limit was lowered to £25 per year and the interest rate reduced to 4.5 percent. Duckett would now have to run the bank and pay himself with only one-half percent of the interest on deposits.

In lowering the deposit limit the assembly had accepted a proposal first mooted by council in 1837, after passage of the bill. Upon considering their superintending committee's report, council decided deposits should be limited to £25 per year and £100 in total. No interest would be allowed on any amounts outstanding above £100. In what amounted to a bonus to wealthy depositors, accounts which already contained more than £150 would be allowed interest until 1 July, 1837. People, as well, would be "asked" to reduce their deposits to come into line with the provisions.<sup>21</sup> As with other financial issues, a continuing tension existed between the assembly and council over the use and constitution of the savings bank. Although council always obliged the assembly with a copy of the superintending committee report, the lower house, of course, struck committees that reported on the 'report' and carried out their own review when necessary.<sup>22</sup> The council's 1837 suggestion to reduce deposits appears to have failed since not

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<sup>21</sup>"Minutes of Executive Council," 28 April, 1837 Vol.196, RG1 PANS.

<sup>22</sup>In 1836 Hibbert Newton Binney and Charles W. Wallace's report on the Bank's activities was published in the Novascotian of 6 April, 1836.

until the Act of 1841 were the provisions effected. Similarly, it is believed that they would not have been able to impose their interest rate decisions without the force of law, since these were clearly 'money' bills because they affected the rate of interest paid on the funded debt.

With the attenuation of the savings bank's importance as a foil in the hands of an embattled council, more traditional considerations about the propriety of the class of depositor came to occupy the deliberations of council. Expressing a desire to maintain the savings bank as a haven for the savings of the honest poor, as a institution of paternalistic, humanitarian endeavour, the council did not wish its doors opened wide to improper depositors. That the assembly passed a bill in 1841 reducing the interest rate and nominal deposit levels, while at the same time expanding the overall deposit base, betrays a certain ambivalence about the role of the bank within that body. While it seems that councillors thought that well-off depositors were using the bank too frequently, requiring remedial measures like interest-rate reduction, they still raised the deposit ceiling to attract more money.

The provisions of both the 1837 and 1841 Acts reveal a inclination for the assembly to chart a financial course allowing for greater flexibility for state action. While the ability of colonial governments to employ additional fiscal levers was still limited, the savings banks offered a relatively efficient mode of capital accumulation that was exercised with increasingly confidence and skill. The development of savings bank legislation which had first occurred within the context of controversy over chartered banks and currency law, now unfolded amidst an increasingly

strident struggle over the reform of the constitutional framework of the colonies of British North America after the Rebellions of 1837 in Upper and Lower Canada. The council in Nova Scotia, which had formerly exercised both executive and legislative functions, was split into two separate entities in 1838. As more politicians from the assembly gained access to the legislative and executive councils, modern parties started to coalesce out of the "loose fish" which had earlier inhabited Nova Scotian politics. As Reformers and Conservatives gained coherent memberships and leaderships within both levels of government, decisions on crucial matters of policy more frequently split along similar lines each vote. Votes on the savings banks were no exception although a clear, reliable bifurcation did not always occur. Other issues and concerns, such as the rural-urban tension could cloud the waters, leading to seemingly contradictory politics.<sup>23</sup>

With the 1840 election and subsequent session, relations between reformers and conservatives entered an interlude of wary quiescence. This was partly due to an attenuation of a transient interest in colonial affairs in the English Parliament occasioned by sparring between Whigs and Tories over handling of the rebellion crisis of 1837-38. These policy disputes were driven, in large part, by contemporary domestic political spasms over free trade, Reform and slavery. With the Conservative majorities of the 1842-46 period, political interference and contradictory signals directed towards British North America through the Colonial

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<sup>23</sup>For instance, during a period of mutual estrangement, Huntington voted consistently against Howe and other reformers who sponsored the expansionary savings bank bills of 1837 and 1841. See N.S. Journals, 1837:193,215,217 and 1841:125,128,146-148.

Office decreased somewhat and a more rationalized, predictable bureaucratic routine prevailed.<sup>24</sup> On the colonial side, the assembly of 1841, and even more of 1843, provided fireworks, but represented an overall, albeit deteriorating, balance that stood until the crucial election of 1847 set the stage for the concluding chapter of the struggle for responsible government.<sup>25</sup> During this time the rift between Howe and other reformers such as Huntington and Doyle was mended and their solidarity strengthened. After the election of 1843 returned a majority of Conservatives and Viscount Falkland fastened upon J.W. Johnston as his new ally, Howe engaged in astringent newspaper attacks on the Conservatives, and Falkland, "Lord of the Bed-Chamber".

It was in this atmosphere that in 1844, Duckett, the bank's cashier, reported to the assembly the deposit ceiling set in 1841 had been reached.<sup>26</sup> Andrew Mitchell Uniacke immediately presented a bill to the house designed to extend the deposit ceiling once more. The bill cleared a second reading by George Renny Young, survived a motion to defer but then died in committee, due to political infighting.<sup>27</sup> The bank was unable to accept new deposits for the next two years,

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<sup>24</sup>Philip Buckner, "The Colonial Office and British North America, 1801-50," DCB, Vol. VII:xxiii-xxxvii, p.xxviii.

<sup>25</sup> Beck, Politics of Nova Scotia, pp. 119-129.

<sup>26</sup>Journal, 1844 Report to Assembly, 20 March.

<sup>27</sup>Ibid. pp.129, 137. Because no copy of the bill survives it is impossible to know exactly what Uniacke intended. However given his credentials: President of Bank of Nova Scotia and Halifax Fire Insurance Company, Conservative member for Halifax Township and extensive community and philanthropic involvements, it is likely that he was seeking to improve the overall efficacy of the Savings Bank. If it had been a trustee bank, he would have been one. See Elliott, The Legislative Assembly, p.21.

unless withdrawals were made, since the treasury limit of 1841 was filled until raised by new legislation. Then, a dramatic, but not entirely unforeseen, event focused province-wide attention on both the Savings Bank and Treasury Department. In early 1845, Provincial Treasurer, Charles W. Wallace, suspected of improper conduct as an officer of the treasury, was suspended, it being noted that he exhibited an "extreme want of regularity and arrangement" in his practice. Ominously for Wallace, Mather Biles Almon and Alexander Stewart were asked by the Lieutenant Governor to investigate further.<sup>28</sup>

Almon and Stewart, two staunch conservatives, proceeded to scrutinize the treasury's books and count the cash in the Provincial Chest. A cursory examination revealed an entry for £250 paid toward the funded debt but Wallace could only produce vouchers proving £60 had been retired. When asked about the veracity of his accounts, he admitted that in addition to this specific fraud, the accounts sent to Falkland on 1 May, 1844 were falsified. When Edward Duckett, the only clerk employed in the office, was questioned he divulged that some £2500, or 36 percent of the £7,000 credited to retirement of the funded debt in 1842-44 had in fact not been paid. Wallace admitted in the presence of Attorney-General J.W. Johnston that he probably owed the treasury around £4,000.<sup>29</sup>

Council interrogated Duckett who revealed Wallace had begun falsifying

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<sup>28</sup>"Minutes of the Executive Council," 16 April, 3 May, 1845, Vol.198, PANS.

<sup>29</sup>Journals, N.S., 1846, Appendix 16. The copy of Almon-Stewart Report published in the Journals is dated 15 June, 1845. The report was actually read in Council on 11 May: "Minutes of Executive Council," 11 May, 1845.

payments against the funded debt in 1837 which by 1843 should have amounted to £12,000. Duckett suggested Wallace made book-entries falsifying certificates payments and then drew illegal warrants on the treasury paying the five percent interest on those certificates. Duckett, personally failing to stop Wallace's fraud, had informed his brother, Edward Wallace, hoping familial pressure would arrest him. Undeterred, by 1843 Wallace had finagled £4,900, from the treasury.<sup>30</sup>

The state of the treasury had been seriously imperilled by the actions of Wallace. Investigators found in the office treasury certificates signed and ready for release already represented by outstanding issues, others that stood for a debt on the books that did not really exist or that Wallace claimed for himself. As rumours of Wallace's fraud and the state of the treasury spread, depositors at the savings bank became nervous and a run ensued. The bank was forced to borrow £2,100 from the government to cover the increase in withdrawals. The committee stated that while the run was "promptly met" and "public confidence completely restored", the affairs of the savings bank needed close scrutiny. In particular, the account composed of accumulations of surplus interest on broken periods, was in doubt. Duckett protested the attribution of errors to him, and the committee agreed sympathetically that because of Duckett's systematic mode of conduct his opinion should be considered correct.<sup>31</sup>

The amateur, unprofessional nature of the clerk system in government is

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<sup>30</sup>Ibid.

<sup>31</sup>Ibid.

evinced by the conditions of Duckett's employment. The only surety or bond he had posted was one of £250 provided by his father, who had been without income since 1826 and dead since 1842. In seeking to clear himself of wrongdoing he pointed out that he was a private clerk, hired and paid by Wallace, not the government. He was thus honour bound to follow directions from Wallace, although he claimed he frequently remonstrated against them. Here was one man, a clerk on private salary, doing all the administrative work of the Treasury Department and the Savings Bank, encompassing hundreds of thousands of pounds over decades, insured by a single £250 bond. His loyalty was first and foremost to his superior, and provider, Wallace. Little imagination is required to see how this bureaucratic framework fell prey to scandal. The committee recommended that treasury affairs be investigated in greater depth covering a period stretching as far back as possible.<sup>32</sup>

Conservatives Alexander G. Fraser and Richard Tremain Jr., were appointed to investigate all the accounts of the Treasurer and the savings bank. They were to ascertain in more detail the state of accounts and to suggest management improvements. They immediately encountered problems cutting through the dross of messy ledgers and documents that abounded in the office. They quickly

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<sup>32</sup>Ibid. A rough draft of their report found in papers of the Provincial Secretary, Rupert D. George, and probably edited by the same, contains a crossed out section where the authors state Wallace "...affirms in strong terms that he has never been actuated by improper motives..." but that any errors were "venial". The false interest payments were made "inadvertently". RG1 V 279 #5. A possible motivation may have been Wallace's high-living. He paid an expensive yearly insurance premium of £36 stg and purchased fine clothes from a London tailor; one purchase cost £33 stg. MG 100 V213 # 12 & 12a. Two outlays like that alone would have eaten 19% of his yearly net salary in sterling terms.



established that Wallace, in addition to the treasury note swindle, had repeatedly received monies from customs duties and entered such on the books but then withheld the actual money from the chest for considerable periods of time.<sup>33</sup>

Tremain and Fraser's second report focused on the savings bank. Duckett and Wallace confirmed that when withdrawals on the bank became too heavy to meet, Duckett had borrowed money from the treasury to cover them. Although this had not occurred often and to any extent over £500, the committee complained that these transactions were "irregular and departures from the legitimate course provided by law..." and intermeshed the treasury and the savings bank too closely. They denigrated Duckett's book-keeping, finding it difficult to balance and deficient as an overview of the bank's standing with the province and depositors. They especially lamented the failure to keep satisfactory interest accounts. Much of the surplus interest that should have accrued to the profit of the bank was missing and unaccounted for prompting provisions to rectify this situation.<sup>34</sup>

By 1845 there should have been £27,000 of debt certificates funded by the savings bank. Investigators found only £9,000 of new certificates filled up and dated and even some of these had not been signed by the commissioners of the treasury and Provincial Treasurer. This meant the bulk of bank deposits were not secured by treasury certificates, leaving the bank exposed to runs, which is exactly what happened the summer before. Furthermore, although the Act of 1841 allowed only

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<sup>33</sup>"Minutes", 25 July, 1845, Vol. 198.

<sup>34</sup>Journals, N.S., "Second Report of Tremain and Stewart," Appendix 28. No Date.

a half-percent payment for expenses on the extra £7,000 added to the bank's treasury ceiling it appeared that Duckett had continued to take one percent for such purposes.<sup>35</sup>

Fraser and Tremain recommended that the books of the bank be consolidated into three main ledgers, each to provide new, tightened controls. As well, adoption of the 'double entry' form of book-keeping was urged. It was advised that Duckett, who functioned as both Commissioner and Treasurer (Cashier) of the savings bank be divested of the former office so that the original intention of providing a check might be realised.<sup>36</sup> The cooperation provided by Duckett was praised and again he was absolved of any flagrant violations of trust, the problems with the bank being attributed to a "too strict adherence to the method first adopted, and continued without making such alterations or improvements as the growth of the Institution naturally suggested."<sup>37</sup>

An important suggestion in the report was that the time had come to loosen the restrictions concerning depositor class and deposit ceilings. The demands and need of the "public for Investment" channelled through such an institution had outstripped the regulations of 1832. They claimed that:

...if the restrictions above alluded to were extended, the Savings Bank might be made (in addition to the gains arising from the extension of

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<sup>35</sup>Ibid.

<sup>36</sup> These terms, Commissioner and Treasurer, should not be confused, as they were at the time, with the Commissioners of Treasury, who signed and endorsed treasury notes and certificates or the Provincial Treasurer, Wallace.

<sup>37</sup> Journals, N.S., "Second Report, Tremain & Fraser".

business) otherwise productive to the Province, by being the medium of obtaining money at a low rate of interest, and of concentrating the various Loans at present forming the Provincial Funded Debt.

At the same time, however, they called for upping the account ceiling to only £50, in order to ensure that the bank would still derive from the proper class of depositor.<sup>38</sup>

Fraser and Tremain were expressing interests contradictory to the usual conservative notions of proper use of the savings bank. As their desire to set a ceiling of £50 per account shows, they still approved of the limits that the banks *raison d'être* imposed, yet at the same time they knew that widening the depositor scope was the best way to mobilize more capital. While their immediate motivation to expand the bank might have been to consolidate outstanding debt and retrieve the situation, there is no doubt that the bank had become an important, long-term lever of government finance. Regardless of their ambivalent feelings about the savings bank and public finance, the council dismissed Wallace himself two days after the first report was tabled in council.<sup>39</sup>

News of the contretemps first broke in early 1845. By late spring of 1845,

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<sup>38</sup>Ibid. To ascertain the exact nature of depositors and business that the bank might do they asked Duckett a series of seven questions.

<sup>39</sup>"Minutes of Executive Council," Vol. 196, 13 May, 1845. Alexander G. Fraser was appointed acting treasurer on the 20 May. Although Wallace was never charged he did file a £500 arbitration bond with J.W. Nutting, Halifax Prothonotary, on 14 September, 1847. John Whidden and John W. Ritchie, Clerk of the House of Assembly and a prominent lawyer, were appointed arbitrators, but unfortunately neither the other litigant(s) nor the record of the outcome are known; MG 100 V243 #13. The quasi-legal arbitration process, cheaper, quieter and quicker than Equity Court, suggests a civilized pressure from certain interested parties. Wallace did pay back his debts to the treasury, fighting against items he thought unfair and actually being reimbursed £140 by the government; RG7 V20 #131, Report of Bell & McNab, 16 March, 1849. He died in San Francisco in 1865; Novascotian, 25 April, 1865.

both the Liberal press and Reform party, were levelling an increasingly heavy rain of fire upon the government.<sup>40</sup> The debate, centred on two main issues, bore all the marks of a bitter partisan fight. First, was the issue of credit taking for uncovering of the scandal and second, the nature of the impending treasury reform. The treasury scandal was a warm-up fight during the approach to the crucial general election of August, 1847. Reformers sought to score points and embarrass the government, whereas the government for its part tried to appear steady and impartial, portraying Howe and his fellows as callow partisans whose interests were antithetical to those of the colony at large.

Because of the timing of the scandal and Wallace's subsequent ouster, the office of treasurer, which included the savings bank cashier position, became a testing ground for opposing views on responsibility and bureaucratic organization before the 1847 election. Falkland, by this time hotly opposed to Reformers in general, and Howe in particular, went ahead and appointed assemblyman Samuel Prescott Fairbanks, Q.C., as provincial treasurer on 15 November, 1845.<sup>41</sup> Given the debate raging around these very issues and the past course of constitutional events, Fairbanks was thinking wishfully in expecting to still have a job after 1847.

With council's reports in hand, it was now time for the assembly to hold forth on the matter. The committee comprised of James D. Fraser, J. Howe, L.M.

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<sup>40</sup>Novascotian, 2 June, 1845; 12, 26; January: 12, 26; February: 2, 9, 16, 1846.

<sup>41</sup>"Falkland to Stanley, 15 November, 1845" and "W.E. Gladstone to Falkland, 31 December, 1845," Dispatches, Journal, N.S., Appendix 35, 1846. John G. Leefe, "Samuel P. Fairbanks," DCB Vol XI: 308-309. Acadian Recorder of 1849 quoted therein. There is some confusion exactly when Fairbanks was appointed. Leefe states March but has him confused with the acting treasurer, Alexander G. Fraser.

Wilkins, H. Huntington, and B. Smith called for a "strict and searching" look into the entire career of Charles W. Wallace as well as that of his father, Michael.

Professing a distaste for harrying the reputation of a dead man, they nonetheless felt that the statements of Charles Wallace, disputed as they were by the attorneys of Michael Wallace's estate, taken with the testimony of others, called into question the propriety of both father and son.<sup>42</sup>

That look was never conducted, which is not surprising considering that details and facts about the relationship of councillors, connected businessmen and relatives, with the financial affairs of the province would have flowed from such an endeavour. Still, the reports, both *Conservative* and *Reformer*, must have made for hard reading for the embattled Falkland and his executive. The tenures of Michael Wallace, long a stalwart of the "Star Chamber", and his son, a hereditary placeman, had been irretrievably sullied. Together, their reign as treasurer spanned almost half a century of Nova Scotian history. Wallace Sr. had been appointed by Governor John Wentworth in 1797, and his son, Charles Wentworth, namesake of Michael's patron, assumed office in 1831, a total of 34 and 14 years respectively. In spite of repeated warnings in the legislation of 1837 and 1841, resolutions in the House, plus exhortations from various Councils, Wallace still abused the trust reposed in him, especially regarding the retirement of the funded debt.

The legislative reaction to the scandal was a new act that sought to reorganise provincial finances. The reform measure was introduced by James W.

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<sup>42</sup>Journals, N.S. 1846, Appendix 84, "Report of Assembly on Accounts of Treasurer," 6 March, 1846.

Johnston, Attorney-General and witnessed a "friendly debate, or rather conversation...."<sup>43</sup> The main thrust of the bill was the reorganization of the treasury and the savings bank. Treasury note issues and funded debt repayment were to be rationalised, while the treasurer was put on an annual guaranteed salary. Better oversight of the Savings Bank was to be provided by the appointment of a board of Directors and the distancing of the savings bank from the treasury. Huntington and McLellan objected to the salary of the treasurer, considered too large, and appointment of Directors of the Savings Bank, thought an unnecessary expense. The Speaker, William Young, objected to the clause that made the Savings Bank a separate department on grounds of economy and referred the bill to a select committee composed of four Conservatives, including Johnston, and five Reformers, two of whom were Howe and Huntington. Howe, for his part supported the salary of £600 for the treasurer, and went further than most in allowing that the treasurer should have two clerks, one at £200, the other at £100 per year. Howe claimed that in this way the treasurer could properly "...superintend both departments and be held answerable for their proper management."<sup>44</sup>

Howe's suggestion reflected his personal view of responsible government; greater powers and duties required commensurate increases in staff. As with most movements however, not all were prepared to accept the full cost of success. Many of Howe's colleagues, such as McLellan and Huntington, found it difficult to

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<sup>43</sup>"An Relating to the Treasury Notes, the Funded Debt and the Halifax Savings Bank," Victoria 9, Chapter XIV; Novascotian, 9 March, 1846.

<sup>44</sup>Novascotian, 9 March, 1846.

reconcile their aspirations for state-backed enterprise with their desire to economise. Although the bill passed easily, it came out of the select committee with amendments which instituted a less than sweeping reorganization of the treasury. The provincial treasurer alone was installed as *ex officio* director of the savings bank; there was to be no independent board of commissioners or clear separation of the savings bank from the treasury. Instead of being allowed two assistant clerks, one to look after treasury business, the other the bank, the treasurer was assigned only one clerk with duties dual in nature -- Assistant Clerk to the Treasurer and Cashier of the Savings Bank. His salary, £250 per annum, however was now paid out of the general revenue and the post was "at pleasure".<sup>45</sup> Detailed regulations concerning the mode of operation and reportage were introduced. The treasurer (director), was now to take an active supervisory role on a weekly basis. The deposit limit was raised to £50 per year and the bank's treasury limit raised to £40,000. Mechanisms providing for cash infusions if required by withdrawal demand were arranged. Either the treasury would meet the demand or the council could open an account with a Halifax bank at no more than five percent.<sup>46</sup>

Two matters of significance arose from the bill. It was Reformers who denuded the strongest reform aspects of the legislation. Instead of using their majority in committee to push the tottering Johnston government, many Reformers

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<sup>45</sup>"An Act relating to..."; *Novascotian*, 9 March, 1846; McLellan tried to have it reduced to £200 but failed, *Journal*, 1846, p.494. Duckett, fighting to hold onto his job, wrote to R.D. George to request the Lieutenant Governor to appoint him cashier under the new act, "Provincial Secretary Papers," 21 March, 1846, RG7 Vol 15 No 59: PANS.

<sup>46</sup>*Ibid.*

instead suggested amendments that limited the bill's sweep. While the need to uncouple the salary of the treasurer and his clerk from yearly assembly votes or private payment was recognised, parsimony dictated that the bureaucratic status quo remained. The Savings Bank was not separated from the treasury to the degree that the scandal suggested was prudent. Separate commissioners and staff were deemed too expensive and so the operation of the bank devolved onto the same officers that it had before. In fact, the original construction of the 1832 Act, called for "one or more commissioner or commissioners to manage the affairs..." of the bank. This office had been held in the singular by Edward Duckett but clearly the act allowed for larger staff if needed, as it certainly was. The council for its part, had organized a superintending committee usually composed of Wallace and one or more councillors that presented yearly reports, but the records shows that this practice, inadequate as it was, fell into desuetude. True, new measures had been instituted such as emergency access to commercial bank and treasury funds, as well as new modes of book-keeping. Yet, just when deposits were expanded by some £13,000, manpower and supervision at the bank remained unchanged. Johnston and many other Conservatives, in some ways, possessed a more flexible and expansive vision on several public policy issues, like local government, suffrage laws, and election procedure, than many Reformers.

Secondly, the longstanding interdependence of three aspects of government finances -- treasury notes, the funded debt and the savings bank was made more explicit. The act called for the retirement of all outstanding treasury notes, then



around £60,000, and their replacement with a new impression. Fresh guidelines for appointing and removing Commissioners of the Treasury stated they served 'during pleasure' and required an oath be sworn before taking office.

By 1846, the funded debt amassed by the issue of treasury certificates totalled some £30,000, bearing interest of either four or five percent. Savings bank deposits had supposedly funded some £27,000 worth of treasury certificates. Together they comprised a funded debt of approximately £57,000.<sup>47</sup> The non-saving bank funded debt of £30,000 was reorganised to pay only 4 percent interest. The treasurer was given the option of refunding portions of this debt with loans purchased from one of the local commercial banks at no more than five percent. These loans, too, would be paid with new certificates. In an attempt to clear up confusion over the loan certificates the treasurer was empowered to call in outstanding certificates to be replaced with ones properly recorded. As well the old certificates payable at four percent which were soon due were allowed to be refunded for an extra five years if the holder so desired.<sup>48</sup> All of these measures were contained in an bill which readily passed through the legislature. The concern with stabilizing and expanding the savings banks shown by a traditional Conservative government highlights the importance of the savings bank in maintaining the fiscal flexibility of Nova Scotian

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<sup>47</sup> It will be remembered that investigators could not account for more than £9,000 worth of filled out certificates. This would leave a tentative discrepancy of £16,000. Obviously even Wallace could not have made off with such a sum. Since nothing more was made of it, it is believed that the £9,000 roughly represents the amount of deposits received in specie suitable for the retirement of the funded debt via certificates.

<sup>48</sup>"Act Relating to...".

administrations by the 1840s .

The new treasurer, Fairbanks, placed advertisements in the local papers to attract the additional funds provided by the 1846 act. The deposit limit was increased to £50 per year, but the business hours of 10 to 3 O'Clock on Mondays apparently remained the same. These advertisements ran all summer, presumably in an attempt to restore confidence in the institution.<sup>49</sup> Fairbanks' tenure as provincial treasurer and superintendent of the savings bank, however, was shorter than he had once hoped. With the defeat of the Conservatives in the election of 1847, the Reform ministry came to power on a vote of non-confidence in 1848 and immediately removed him from office, notwithstanding his petitions to the Lieutenant Governor and the council. The vehicle for Fairbanks' ouster was a bill that abolished his office and created two new ones, the Receiver-General and Financial Secretary, both politically appointed heads of departments. Departmental government had finally arrived.<sup>50</sup> The receiver-general, paid £600 per year, was given all the duties of the old treasurer and allowed one assistant clerk at £250 per year. He was purely a receiver and dispenser of funds. The financial secretary, the more powerful position, ranked higher in the cabinet and fashioned fiscal policy. He too was allotted one clerk, at £200 per year. The receiver-general and his clerk became the superintendent and cashier respectively of the savings bank. Thus it was the financial secretary who would write the legislation telling the receiver-general

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<sup>49</sup>Novascotian, 13 April, 1846.

<sup>50</sup>"An Act to provide for the more accurate Audit and Inspection of the Public Accounts, and for the appointment of certain Public Officers therein," Chapter XXII, Statutes of Nova Scotia, 1848.

what to do with the savings bank. Aside from instituting greater sureties and oversight, the bureaucratic system at the savings bank, soon to deal with an increased workload, remained essentially static.

Thus with the advent of responsible government the savings bank had become an important financial player in the current account plans of the government. However, a great deal of caution concerning the source of the rising amounts of capital amassed in this growing institution during the late 1830's and 1840's must be entertained. Duckett's claim that he had turned away many middle class depositors, is undercut by the fact that in 1841 worried conservative councillors had seen fit to reduce the deposit ceiling by half in direct response to unintended depositors using the bank.<sup>51</sup> In fact, their concern about this trend was evident from as early as 1837. Table Two demonstrates that most of the depositors were working class. So does an earlier study that uses government figures up to 1845. However, an analysis of those figures also suggests that the lion's share of funds came from a minority of depositors. Since few white collar and high status depositors existed the source most likely were well-off tradesmen and other 'super-savers' from various occupations such as the ubiquitous domestic servants.<sup>52</sup> Their

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<sup>51</sup>Journal, Appendix 28, 1847.

<sup>52</sup> In 1835, 34.8% of all depositors held accounts for £0-20 which made up only 7.1% of all monies in the bank. Meanwhile, 30.2% of depositors held accounts for £50-100 which made up 50.3% of all monies. In 1845, 35.4% of accounts held £0-20 but they comprised only 9.5% of all monies. However, the 5.6% of depositors who had accounts worth £1-150 accounted for 22.2% of total accounts.

In 1835 22.5% of all individual deposits were for less than £1 but they made up only 1.2% of all monies deposited that year. Meanwhile, 9.2% of deposits were for £40-50 but they amounted to 38.7% of all the monies deposited that year. In 1845, 13.5% of all deposits were in the £0-20 range and amounted to £10.4% of total deposits that year. However, the highest range that year, £20-25, accounted for only 17.1% of all deposits made but comprised 47.2% of total deposits made. "Poor Man's

wages, middle-class aspirations and acceptance of the hardships of thrift and denial allowed them to save sums that were quite out of reach of the many working-class persons.

During the years 1832-1847 the Nova Scotia Government Savings Bank witnessed substantial growth as its depositor base increased. This growth however presented government with a dilemma. While Nova Scotian politicians subscribed whole-heartedly to the notion that the bank was a moral and economic bulwark against the libertine 'misuse' of working-class wages, increasingly it realised that the benefits government derived from the institution, i.e. larger pools of capital, could be maximised only if middle-class depositors were allowed access. The introduction of the 1847 bill by an Conservative administration signals that by the close of the 1840's, governments in general regarded the savings bank as a financial tool more so than a sustainer of moral and social uplift.

## Chapter Four

### "On the Faith of the Government": The Nova Scotia Savings Bank, 1848-1867

After the turmoil of the late 1840's which ended with the new legislation, the savings bank entered into a three year interlude of quiet. This came to an end, however, with the second Reform government of August, 1851, which moved Howe's plans for railways into high gear. Initial plans for an intercolonial line had collapsed in November of 1851 when Lord Grey, the Colonial Secretary, reneged on his alleged promise of an Imperial guarantee. The autumn of 1852 however, saw Howe back in Britain drumming up money and in early 1853, four new pieces of legislation, referred to as the "railway bills", were introduced by the government. Two dealt with details of planning and survey, while the others were concerned with financing. These latter bills called for new increases in treasury notes and the expansion of the savings bank yet again.<sup>1</sup> Howe read the latter bill in the House, casting it as an authorization for further investment of the earnings of the industrious classes in the savings banks. Fierce opposition over questions of financing and ownership dogged Howe at every step. Johnston and the Conservatives were adamant that government should not incur massive amounts of debt. They preferred private sector ownership of the railway believing it to be

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<sup>1</sup>Before Howe sailed for England the council had met and agreed on the outlines of a railroad policy. Along with plans to increase treasury note circulation, issue bonds and set up credit lines with provincial or English banks, council agreed to acquire money "By opening up the Savings Bank and affording to the frugal and industrious an opportunity to invest their savings in railways on the faith of the government." "Minutes of Executive Council," 25 August, 1852, RG1 V.200.

more economical for the tax-payer. Howe, always the visionary booster, wanted government to both build and operate the railways. Thus, he turned naturally to the savings bank, a ready source of funds for the government. However, due to political deadlock in the assembly, occasioned by the defection of western county Liberals, the bills failed to pass.<sup>2</sup>

Howe returned to the railway debate during the next session in 1854 with introduction of four new "railway" bills. Forced to scale back his construction plans by the events of the previous year, these bills called for the construction of lines to Windsor and Pictou. As in 1853, auxiliary bills concerned with finances were introduced as well, and all encountered stiff opposition from Johnston and his Conservatives.<sup>3</sup> Using all available parliamentary procedures, they tried to block, defer and amend every bill and resolution moved by Howe and the Liberals. For instance, Johnston moved a deferral resolution criticising Howe's plans to put the earnings of the industrious poor into the "...hazards of railroad speculation, or to make them subject to the mischief of a depreciated currency..."<sup>4</sup> In the end the government succeeded in getting its legislation through the house and all four bills became law on 31 March, 1854.

Treasury note circulation was upped by £50,000, to be redeemable in gold or silver at the treasury. The individual account ceiling at the savings bank was increased to £200 and total bank deposits by £25,000, to a total of £65,000. Along

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<sup>2</sup>Journals, N.S., 1853, See Bills #'s 7,8,9 and 10; Beck, Politics of Nova Scotia, pp. 136-139.

<sup>3</sup>Journals, N.S., 1854, Bills #'s 59, 65, 66 and 67.

<sup>4</sup>Journals N.S., 1854, See Bills # 66 and 67.

with these provisions was the usual proviso that monies deposited under the act could be applied by the government to uses approved by the general assembly.<sup>5</sup> This increment was quickly met and the following year the government, under immediate pressure to finance new rail construction, increased the total bank deposits by an additional £25,000.<sup>6</sup> This brought the total amount of monies legally receivable by the bank to £90,000. The railway, however, proved to be a demanding mistress, forcing the government the very next year to up the total limit once again by £35,000 to £125,000.<sup>7</sup>

The end of the fiscal year of 1858 in December, witnessed another round of difficulties at the savings bank. Edward Duckett Jr. had failed to institute the book-keeping recommendations demanded by in the mid-1840s.<sup>8</sup> The augmentation of business occasioned by the deposits increases of 1854, 1855 and 1856 should have netted the bank modest interest profits, but a cursory examination of the accounts revealed a shortfall around £2,000 for the years 1854-58. Even though the hours of business had been extended in 1858 to accommodate the higher deposit ceiling, Duckett, a public servant of over forty years service and now well into his old age, seemed uninterested in improved book-keeping to cope with a swelling workload.<sup>9</sup>

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<sup>5</sup> Statutes of Nova Scotia, 1855-56, Chapters 3 and 4, p.9.

<sup>6</sup>Ibid. Chapter 26, p.56.

<sup>7</sup>Statutes of N.S. 1856, Chapter 34.

<sup>8</sup>Journals,N.S., 1859, Appendix 52:528-530.

<sup>9</sup>Langhout's intimation that a loan to the bank was connected somehow with faulty book-keeping and was needed to "balance the books" is not quite correct, See "Public Enterprise," p.157. The 1846 statute, revised in 1851, clearly provided for contingency loans from the treasury or chartered banks in anticipation of increased business. What did get Duckett into trouble was the way he entered the transaction.

Unfortunately for Duckett, this latest scandal broke at the end of the Conservative administration of 1857-1860. The lead-up campaign had been particularly nasty involving both ethno-sectarian prejudices and a scramble for patronage. The Conservatives, nominally led by Johnston, but actually led by Charles Tupper the new Provincial Secretary, had directed their fire at the overspending and misconduct of the Liberals. The sessions following the installation of the new government continued along the same lines.<sup>10</sup> Duckett, an old, error prone clerk, would have a hard time surviving the scramble for offices that became increasingly strident by the end of the 1850's.

A first probe, recommended by the public accounts committee inspected the books from 1854 to 1858 inclusive and found many glaring errors brought about by the "...total absence of that system of book-keeping, so essential to a bank...., the books not being kept by double-entry, and the only accounts being kept in ledger being those of individual depositors...." Duckett's pithy response to the investigation was to blame Samuel Fairbanks and his successors, receivers-general, James McNab and E.L. Brown, for the mistakes he admitted were there. He claimed to have always kept a Cash Book as required and if his version had not met specifications it was up to his superiors with oversight of the bank to point it out.<sup>11</sup> In some ways Duckett was right; his superiors were ultimately responsible for the accuracy of the books. The real problem with the system instituted in 1846

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<sup>10</sup>Beck, Politics of Nova Scotia, pp.143-149.

<sup>11</sup>Duckett to Tupper, 5 December, 1859. Appendix "Public Accounts" Journals, N.S., 1860.



was that it did not provide for enough manpower to oversee an operation of such scope and inherent detail.

A subsequent investigation carried out by assemblymen J.J. Marshall, financial secretary, and William A. Henry, solicitor-general, reported on 19 December, 1859. They uncovered a deficiency against Duckett of £813. As well he had frequently failed to enter deposits into the account books, only crediting the depositor's passbooks, leaving the government liable for unrecorded deposits. The critical findings of their report prompted Tupper to relieve Duckett temporarily until the next meeting of the legislature. Duckett's response, given his age and lack of a pension, was to fight for his job. He refused to resign and wrote letters to Tupper denying culpability.<sup>12</sup>

The Liberal party, winners of the May election in 1859, did not form an administration until January, 1860. By early summer the new government was ready to take up the Duckett matter. Duckett had petitioned the government in late 1859, but its lame duck status precluded action. In May, Howe, reinstalled as provincial secretary, ordered John H. Harvey to investigate the matter once again. Harvey maintained Duckett's deficiencies as they stood, but appeared sympathetic to his situation considering his age and workload. After meeting and working through the accounts with Duckett, he could not bring himself to accuse the old clerk of personal fraud or gain, but was "...rather led to the conclusion, that the money had

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<sup>12</sup>Ibid., 20, 21 December, 1859.

been inadvertently overpaid in the hurry and confusion of a crowded office."<sup>13</sup>

Prominent Conservative acquaintances of Duckett came to his aid. J.W. Johnston supported Duckett's innocence and said he hoped he would find suitable public or private employment. Johnston however, intimated that it was neither in Duckett's, nor the province's best interests that he continue at the savings bank due to "...the increased and complicated nature of the business."<sup>14</sup> Duckett also marshalled a petition to the cabinet signed by 135 of the most prominent citizens of Halifax. They cited Duckett's probity and integrity, insisting that the errors made stemmed from the difficulties of carrying on a growing banking operation out of the receiver-general's office where Duckett was continually interrupted. Suggesting that this situation had been corrected by giving the new cashier an office of his own, they ended by asking that Duckett be given some type of suitable employment.<sup>15</sup>

Finally, on 14 November, Howe relented and reinstated Duckett allowing that the decision was primarily influenced by "...the almost unanimous expression of opinion on the part of your fellow citizens,... and by the admission of the leader of the late administration (Johnston) that your moral character was not intended to be

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<sup>13</sup>Harvey to Howe, 13 July, 1860, Journals, N.S., Appendix 7, 1861.

<sup>14</sup>Ibid., Johnston to Duckett, 18 July, 1860.

<sup>15</sup>Ibid., Petition to Council, 15 August, 1860. Duckett kept up his campaign by conveying to the cabinet his willingness to make up the defaulted amount out of his salary. He also included a note from a clerk hired by the G. Lawson, the new cashier, stating that the heavy workload of the cashier necessitated hiring assistance and that the separation of the savings bank from the office of the receiver-general was a great improvement.

impeached when you were dismissed from office."<sup>16</sup>

It is curious why Howe and the Liberals took this course. Neither Duckett, nor Johnston, nor the others had expressly asked that he be reinstated as savings bank cashier. Johnston had actually suggested he was not fit for the job. Although no longer assistant clerk to the receiver-general, it is doubtful that at 63 years of age he was ready to reassume duties for very much longer. The savings bank was a busy institution, now intimately connected with railroad construction and can hardly be considered a vacation compared to his old responsibilities. On the other hand of course, pensions were not common and the tendency was to die working 'in the harness'. Although the Liberals turned to the bank to help fund their development plans, they consistently refused to provide sufficient staff and support to allow it to efficiently carry out its mandate. In the end, their reinstatement of Duckett says more about their disillusionment with the railways by 1860 and often parsimonious tendencies, than about any grave consideration of the public interest.<sup>17</sup>

The new Conservative administration of 1863 made the last changes to the Halifax Savings Bank before Confederation. The Liberals, recoiling from the cost and operating expense of the railways they had built, had lost much of their enthusiasm. By 1863 an interesting change had occurred in the railway policy of

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<sup>16</sup>Ibid., Howe to Duckett, 14 November, 1860.

<sup>17</sup>Duckett appears to have felt the strain of the office immediately, having to write the receiver-general, J.H. Anderson, in January, 1861 for extra help because the work load was too much, Duckett to Anderson, 18 January, 1861, RG 31-109, V. 12 #54; He remained as cashier until 1863, and died at the age of 78 in 1875, Stayner Collection, V.1646 "D" Misc., N1817, PANS.

the political parties. It was now the Conservatives under Tupper, who carried the railway through to its ultimate conclusion. Where the Liberals were no longer willing to back the railways because of their commercial failure, Tupper believed Nova Scotia's railroads had to be integrated with other colonial lines and made to foster industrial development.<sup>18</sup> To the latter end the Conservatives proposed to construct the Pictou extension in 1863, and to provide assistance the savings bank was once again expanded. Total deposits were increased to £140,000 (\$560,000). Two riders accompanied the act. If the "Act to authorize the construction of a further section of the provincial railway" became law, the ceiling would be raised to £250,000 (\$1,000,000) and the individual deposit limit from £50 (\$200) to whatever the government desired.<sup>19</sup>

These latest legislative refinements, along with earlier Liberal enactments before the Duckett imbroglio, raise two important questions. First, did all this activity represent a sea-change in the financial strategy of the Nova Scotian government, brought about by political reform and social development, or was it as much a case of incremental financial evolution? Did Howe, and his cabinet, and later Tupper and the Conservatives, create a new system of finance, or merely rework and elaborate an old structure? Secondly, for what purposes was the money actually used? Did they intend savings bank deposits and treasury notes to contribute in a significant way to railway construction or was some other indirect

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<sup>18</sup>Langhout, "Public Enterprise," p.54.

<sup>19</sup>Statutes of N.S., Chapter 34, 1863.

role envisioned? Answers to both these questions were first suggested by Rosemarie Langhout's work on public enterprise and finance during the responsible government era. Her work is of seminal importance in that it attempts the first large scale, integrated analysis of government financial strategy stemming from the 'new' public enterprises of the 1850's and 1860's.

Between the decision to build a railway in 1852 and the end of the 1855-56 session, the Liberal government passed three acts reworking the savings bank deposit levels. Total deposits had been increased 213 percent, from £40,000 to £125,000, while the individual account ceiling had quadrupled from £50 to £200. The deposit ceiling at the Halifax Savings Bank rose 22.9 percent per year on average during the years the trunk line was built, roughly 1854-1858. Total deposits rose by 4.6 percent per year on average between 1862 and 1866, during the construction of the Pictou Extension.<sup>20</sup> Tupper's savings bank act increased the deposit ceiling 28 percent from £125,000 to £160,000. It is these impressive increases that prompt Langhout to observe that although savings banks predated Responsible Government "...by several years, they were not extensively manipulated as an arm of public financial policy till the advent of public enterprise in the 1850's and 1860's."<sup>21</sup>

However, the continual evolution of savings banks regulation and implementation outlined earlier in the chapter justifies arguing the case for extensive governmental manipulation of financial levers prior to 1850. Recall that during the

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<sup>20</sup>Langhout, "Public Enterprise," p.84.

<sup>21</sup>*Ibid.*, p.78.

pre-responsible government era, 1832-1846, total deposits had been increased 167 percent from £15,000 to £40,000, while official individual account ceilings had fluctuated from £50 in 1832, to £100 in 1837, £25 in 1841, and back to £50 in 1846. Figure One shows a generally steady rise of saving bank debt in relation to treasury notes and other debt categories between 1840-1855.<sup>22</sup> There were some seven pieces of passed or proposed savings bank legislation between 1826 and 1847, while the first responsible government period, 1848 to 1857, witnessed only five, and the later "pre-confederation" period one. Much of the pre-responsible legislation, highly suggestive of intended state intervention, is clearly related to later developments.

It has been argued above that the foundation of public enterprise is deep and longstanding, and that positing it as a phenomenon linked solely with responsible government is as mistaken as tying it to the creation of a national state in the 1870's. Rather than describing the savings bank and treasury note expansions between 1853-1856 as dramatic illustrations of "... the abruptness with which the railroad policy changed the role of government in Nova Scotia..." it is perhaps better to see change in more gradual terms.

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<sup>22</sup>Source: McCullough, Money in Canada, "Table 23, Circulating Paper Money in N.S.", N.S. Journals, 1841-1856, "Public Accounts".

# Comparison of Public Debt

## Nova Scotia 1840-1855

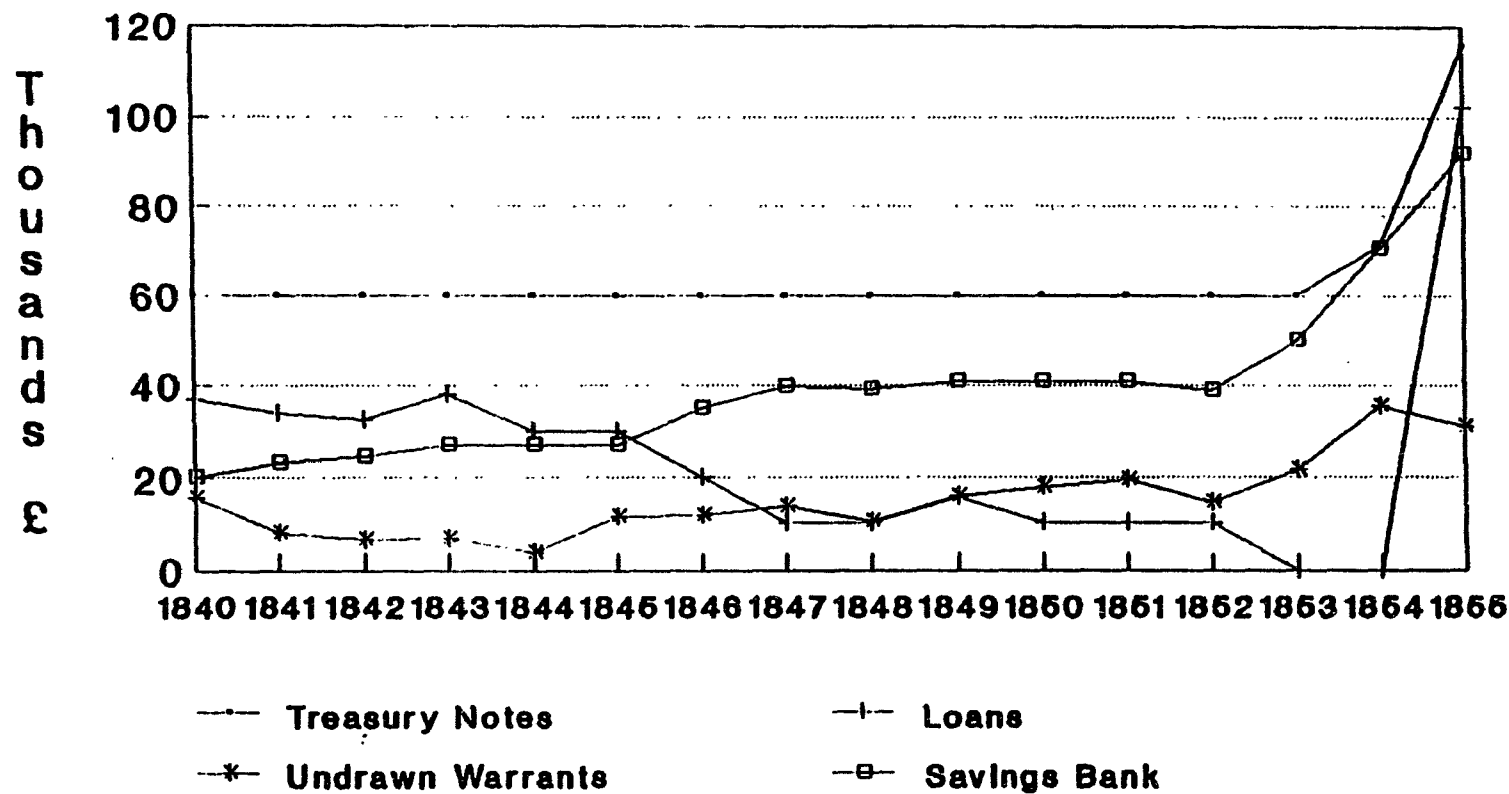


Figure One

Langhout, using Richard Simeon's multi-causal framework of public policy formation as a guide, argues correctly that the distinction between public and private sectors is stronger than previously believed and that in North America, rather than Britain, the state was especially interventionist.<sup>23</sup> Rather than detracting from the central thesis she elucidates, this investigation simply extends a supporting analysis further back in time, exposing the socio-economic roots or **evolving pattern** of public enterprise in more detail.

Furthermore, the role of the savings bank in financing railroad construction bears further exposition. Langhout states that the fiscal flexibility provided by the savings bank and treasury notes allowed the government to avoid bond sales until August 1855. At this time Howe was authorized to arrange the sale of up to £800,000 stg bonds at six percent.<sup>24</sup> This gives the impression that Howe intended, and then managed, to pay for the railways with domestic capital for quite some while. While the latter supposition is true, the former is not. Howe's sorties to Britain in the early 1850's arranging financing for his railway schemes, highlight the fact that British capital was crucial to finance large-scale developments. The cabinet's decision to authorize the bond sales was taken under the mandamus of the four "railway" bills passed in 1854, which in turn proceeded from earlier discussions in 1852 and 1853, as Langhout herself points out.<sup>25</sup> Langhout's

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<sup>23</sup>Langhout, "Public Enterprise," p.14. See Richard Simeon, "Studying Public Policy," Canadian Journal of Political Science, Vol. 9, No.4, (December, 1976):548-580.

<sup>24</sup>Langhout, "Public Enterprise," p.84.

<sup>25</sup>Ibid., p.84-86.



suggestion that savings bank deposits and treasury notes were intended as complete sources of low interest, start-up capital is a suspect analysis. It is doubtful that Howe reasoned this way in 1854.<sup>26</sup> There was no neat progression from savings bank funds to foreign bond sales as costs mounted -- as the council minutes demonstrate both approaches were discussed, developed and implemented more or less simultaneously.<sup>27</sup> Several times Langhout provides examples of dramatic increases in government debt once bond sales, and later interest payments began. She shows how this dwarfed the early expansion of the savings bank between 1854 and 1858. For instance, between 1858 and 1861 the total proportion of government debt represented by savings bank funds and treasury notes fell from 80 percent to 20 percent, while the bond segment rose to 70 percent.<sup>28</sup> While ultimately, foreign-held bond debt financed most of the railways, it should not be suggested that anything otherwise was ever intended by government. Savings bank funds were always viewed simply as an adjunct, an auxiliary source of capital to assist and mitigate the financial flexibility of the government.

Confusion over the exact role of savings bank funds in paying interest payments stems from the delay of those interest payments being made. Langhout shows that the first interest payments on capital debt did not appear in government accounts until 1860, while the first loan from the Baring Brothers, the London financiers used by both Nova Scotia and New Brunswick, was contracted in the

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<sup>26</sup>Ibid., p.89.

<sup>27</sup>"Executive Council Minutes," 1852, RG1 V.200.

<sup>28</sup>Public Enterprise., p.89, also pp. 150, 180.

summer of 1855. Until 1860, interest payments were usually met by rolling over the debt with new bond issues.<sup>29</sup> However, the new Conservative administration of 1857 came to power in a period of financial stringency in the wake of the Crimean War, making new bond floats difficult. By 1857, the Conservatives began to use savings bank funds for the express purpose of interest paydowns.<sup>30</sup> These payments were made on debt contracted by the previous Liberal government as well as their own.

In 1860, an editorial appeared in the Liberal press outlining their view of the Conservative railway policy during their 1857-1860 tenure in office. First though, the editor began by outlining events prior to 1857. The piece related how in 1854, when construction began, financing was arranged from three sources: provincial debentures, a savings bank increase of £75,000, and £60,000 of new treasury notes. It claimed the Liberals conceived that "...any gain to be drawn from these sources were in diminution of the annual charge of our Revenues for the payment of interest on the railroad expenditures." This statement suggests interest relief was the intended focus of domestic borrowing from the start, rather than capital financing. However, either costs were lower than anticipated or the bank did better than expected. By the end of 1856, new borrowing of £56,000 from the savings bank and £60,000 in treasury notes totalled £116,000. Citing "railroad expenses" of £106,645, the Liberals claimed to have met construction costs with domestic borrowing,

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<sup>29</sup>Ibid., p.157, 160.

<sup>30</sup>Ibid., p.157. Public Accounts, 1857-1860.

excepting the difference of £9,345, which they represented as their interest debt over the three years.<sup>31</sup> Since official capital construction costs for 1854-56 closely approximate this figure, new savings bank funds and treasury note issues could have provided all the start-up capital until 1857.<sup>32</sup>

Where the proceeds from the bond sales were for two years is not clear. The final agreement with the Baring Brothers was signed 16 August, 1855, yet Langhout provides no evidence that this debt existed on the books until 1857<sup>33</sup>, the same year she suggests the savings banks became involved with interest payments. Perhaps the Liberals, witnessing the success of their domestic financing held off on repatriating bond proceeds. Certainly, the editorial, castigating Conservative strategy between 1857-1860, suggests as much. £66,863 of interest payments came due and were paid with new bonds, while another £19,000 borrowed from the savings bank brought the total new debt to £78,000.<sup>34</sup> This three year deficit, the editor chided, came after tariff increases, from 6.75 to 10 percent, and road vote reductions produced an aggregate revenue gain of £42,000.<sup>35</sup> Although the debt load surged just as the Conservatives took office, its genesis dated from Liberal

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<sup>31</sup>Novascotian, 26 March, 1860.

<sup>32</sup>Langhout's figures show a total of \$434,436 or £108,609 for 1854-56. See Table 5-1 "Railway Account -- Nova Scotia" p.162.

<sup>33</sup>Langhout, "Public Financing," p.90-91, Figures 4-1, 4-2. "Indebtedness of Nova Scotia" and "Distribution of Debt, N.S." respectively. For 1858, a column showing "Provincial Indebtedness" listed obligations to the Savings Bank at £125,000, while provincial total debt was £1,154,424, Appendix 52 "Public Accounts, 1858" Journal, 1859.

<sup>34</sup>The Tories retired £8,000 of treasury notes in 1859 so £19,000 - £8,000 = £11,000 new domestic debt.

<sup>35</sup>Novascotian, 26 March, 1860.

administrations. It was unfair of them to compare their three year debt of £9,345 with the Tory's £78,000 since the largest part of the latter debt, interest payments, came from bonds they had sold earlier.

By 1860, when the Liberals returned to power, debt servicing quickly became an immense task. When the Conservatives regained office in 1863, Tupper's railway scheme, the Pictou Extension, added to the already growing burden of both capital and interest obligations. Although government reaped absolutely greater sums of money from the savings banks and treasury notes, their contribution to the overall picture became proportionally smaller.<sup>36</sup> In 1867 Nova Scotia's deficit was £83,198 and its railway debt, interest and capital, £2,467,567.<sup>37</sup> By this time, the deposits of the savings bank, at £160,000 were not going to meet more than some of the interest obligations and that is exactly what they were used for, the initial role as the basic providers of capital having been eclipsed. The capital embodied in the bank was now used to bolster the credit of the province and facilitate future bond sales or their re-negotiation. That the pool of capital reposing in the savings bank was dwarfed by foreign borrowing did not in any way detract from the important flexibility and security that it provided. The importance of the savings banks to the finances of the Maritime colonies, and perhaps their sense of nationhood, became apparent after the Quebec Conference of 1864 when Joseph Howe began his campaign to derail Confederation. In a speech ridiculing the constitutional

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<sup>36</sup>Langhout, "Public Enterprise," P.166.

<sup>37</sup>Journal, 1868 "Public Accounts" Appendix 19, Receiver-General Accounts for 1867.

proposals he highlighted the alleged evils that would result from the Canadian domination brought about "Rep by Pop". He cited Nova Scotia's certain loss of control over appointments, tax and tariffs, the post office, and militia. On the financial side he warned that the Canadians would "... regulate our currency and rate of interest, and seize upon our savings banks."<sup>38</sup>

All this time the depositors continued to use the savings bank. For most, the role the savings banks played in capital construction and foreign borrowing was totally unrelated to the use they made of the institution. Again it is interesting to describe the people that figured so prominently in the financial plans of politicians before Confederation. Table One offers an occupational breakdown of the bank's depositors, male and female, during the 1850's and 1860's<sup>39</sup>. It shows that white collar depositors increased their participation by 7.5 percentage points from the earlier period. High status depositors appeared for the first time, while skilled workers participation also rose, in their case by 5.2 percentage points. Conversely semi-skilled, unskilled and domestic servant depositors all saw their participation drop. These figures support the hypothesis that the Halifax Savings Bank was experiencing a shift in its depositor base during the late 1840's and 1850's.

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<sup>38</sup>Howe quoted in J.M. Beck, Joseph Howe, Anti-Confederate, (Canadian Historical Association Booklet, No 17, 1965). p.16.

<sup>39</sup>Source: Signature Books for Halifax Savings Bank 1848-1860, Vol. 1112, RG 3:NAC.

**Table One**  
**Classification of Depositors, Halifax 1859-60**

Halifax (1859-60)			
Group	N = 205	Percent	Change
High Status	6	2.9	+2.9
White Collar	18	8.8	+7.5
Skilled Trade	34	16.5	+5.2
Semi-skilled	25	12.2	-11.7
Unskilled	21	10.2	-6.8
Servants	11	5.4	-18.2
Children	17	8.3	+2.2
Married Women	29	14.1	+6.7
Widow/Spinster	33	16.1	+13.8
Other	11	5.4	+1.5

Table One also reveals that many women used the savings banks, either as married housewives or as single spinsters and widows -- those two all encompassing mid-Victorian categories which stereotype and reveal little. Fortunately, the occupation data from Halifax allow for a glimpse behind these unsatisfactory titles.<sup>40</sup> Some of the women using the bank were registered under descriptive occupational titles.

Table Two is a breakdown of the occupations of the women sampled for the

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<sup>40</sup>While it is likely that the women of Saint John were every bit as enterprising as those in Halifax, the trustees of the bank there relied totally on the terms "spinster" and "widow" to describe female occupations, thereby hiding the activities of many women.

years before Confederation.<sup>41</sup> Besides the expected large number of married, widowed and single women, there are also several other job descriptions. Milliners, seamstresses, and other clothing industry workers were users of the bank in fairly large numbers. As well, the category "shopkeepers" includes depositors registered as such along with those noted as owning a 'small shop' or as 'vendors'. That category comprised some 3.6 percent of all the women using the bank. Taken all together, female depositors.

Table Two  
Occupations of Women Depositors  
Halifax, 1836-1860

OCCUPATION	N=245	PERCENT
Married	67	27.3
Spinster	13	5.3
Widow	22	8.9
Seamstress	12	4.9
Milliner	3	1.2
Other Clothing	5	2
Servants	79	32.2
Shopkeeper	9	3.6
Other	25	10.2
Unknown	11	4.8

engaged in gainful employment of some sort, excluding servants, amounted to 54

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<sup>41</sup> Source: Signature Books for Halifax Savings Banks, 1836-1848; 1848-1860, Vol. 1111 and 1112, RG 3:NAC. Samples from 1836-38, 1839-43, 1859-60. "Other" category includes various occupations such as teachers, farmers, labourers, nurses, cooks, washwomen and one lady who kept cows.

records or 22 percent of the total female figure.

A preliminary analysis of Halifax businesswomen has noted the varied nature of their activities but also that, generally, they tended to focus on providing goods and services usually associated with the domestic household.<sup>42</sup> Guildford found three broad categories encompassing various motives, aspirations and levels of capitalization among Halifax businesswomen. The largest group were women attempting to meet basic survival needs of themselves and family. Other entrants into the market were businesswomen concerned with upward mobility and females pursuing business ventures as an avenue to provide independence and satisfaction.<sup>43</sup>

The breakdown of the businesswomen recorded at the bank seems to bear out this analysis. Of the 54 women listed as self-employed, 35 percent (19) performed low-paying unskilled or semi-skilled jobs such as labouring, seamstress, sewingwoman, washerwoman, cook, and the like. One woman in this category, Johannah Gilfoy, was registered as keeping cows. The keeping of cows and other farm animals within the urban milieu was a common pursuit among women seeking to supplement or establish the family income with dairy and meat product sales.<sup>44</sup>

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<sup>42</sup>Janet Guildford, "More the Idle Ladies: Business Women in Nineteenth Century Halifax," 1993.

<sup>43</sup>*Ibid.*, p.2. John Benson has investigated the existence of what he calls 'penny capitalists' and many of these women would fit his criterion: assumption of risk for capital which they controlled, operation on a small scale and working-class origins. Somewhat like Guildford, he posits two overarching groups: full-time entrants who aspired to upward mobility and financial independence and, part-time entrepreneurs who were engaged in a defensive struggle to survive. See his "Penny Capitalism: a task for the local historian," *Local Historian*, 1986 17(4):226-235 and *The Penny Capitalists: A Study of Nineteenth Century Working-Class Entrepreneurs*, (New Brunswick, N.J.: Rutgers University Press, 1983).

<sup>44</sup>Bettina Bradbury, "Pigs, Cows and Boarders: Non-Wage Forms of Survival Among Montreal Families, 1861-1881," *Labour/Le Travailleur* (1984). It is known that Gilfoy lived within Halifax because her location was also registered.



The very fact that these women were listed with occupations meant they were likely widowed. Mobility aspirations likely existed within the other types of entrepreneur recorded -- the shopkeepers. Their numbers, at 3.6 percent (9), suggest they were the elite of the businesswomen using the bank. Finally, depositors who worked for satisfaction or independence followed occupations such as schoolmistresses Louisa Marshall and C. Ross.

Guildford notes that most jobs involved either producing clothing or supplying food and lodging. The data from the savings bank reflects the same division. Of the 54 self-employed women, 37 percent (20) were clearly in the clothing industry. Added to this figure too should be at least some of the shopkeepers who may have dress or hat stores. On the food supply side, besides the cow keeper, some of the "Other" category registrants kept stalls at the market that sold apples and home-made sausages. All in all the occupations of women, when listed, were quite varied and spanned a spectrum of skills. Savings banks could assist in the struggle to survive and stay ahead of financial calamity by offering single working women a secure, interest-earning haven for their earnings.

The large numbers of domestic servants, milliners, dressmakers and seamstresses used the savings bank points to an interesting possibility. These female occupations were highlighted in medical and political discourse as the recruitment base for prostitutes because they exhibited an immoral "love of finery" which led them to debauchery.<sup>45</sup> However, while these women did tend to engage in part-

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<sup>45</sup>Mariana Valverde, "The Love of Finery: Fashion and the Fallen Women in Nineteenth-Century Social Discourse," *Victorian Studies*, V 32 No 2 (Winter:1988):168-188, p.169.

time or full-time prostitution, it was because of abandonment, under- or unemployment and other misfortunes.<sup>46</sup> Thus the ironical possibility presents itself that many of the bank depositors who helped support the funded debt and build the provincial railways were at one time, or would be, prostitutes, driven to that end by circumstance and the gender constraints of the emerging industrial economy. Furthermore, while middle-class leaders might falsely deride the behaviour of servants as immoral and pretentious, they possessed no qualms about taking their money, often saved to buy the very clothes they so criticised.

By the mid-1860's the Nova Scotia Government Savings Bank had experienced both an expansion of its depositor base and a refinement of its role as a state-run conduit for development funds. Indeed, these two developments are inter-related since the execution of the development agenda required increasing the pool of capital available at the bank. Carrying on from the trend evident in the 1840's, the expanded depositor base came to represent more the prosperous tradesmen and rising bourgeoisie than the working-classes for whom the bank was intended. While this development was not in itself negative, it meant that as the century wore on the thrift ideology that justified the subsidy that the bank's interest rate represented tended to become more detached from the political and social realities impinging on the institution. At the same time the inability of the poorer workers to find utility

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<sup>46</sup>Judith Fingard in The Dark Side of Life in Victorian Halifax, (Porter's Lake N.S.: Pottersfield Press, 1989), provides numerous examples of Halifax women from these occupations falling into prostitution that appeared in her study group of recidivists. The 600-1,000 prostitutes estimated to have worked in Halifax in the 1860's fell into three groups: abandoned military wives, service or boarding at a residence or business that kept a brothel or failed, impoverished dressmakers, milliners and seamstresses. pp.99-100.

in the bank points to the developing cleavage in society where one's status was determined more and more by ownership of capital rather than older traditional categories relating to occupation or birth.

## Chapter Five

### The New Brunswick Savings Banks, 1825-1847

Definition of Money: A fish scarce and difficult to catch,  
but of a most excellent flavour.<sup>1</sup>

Unlike Nova Scotia, in New Brunswick the template of a branch network of savings banks run out of the office of county deputy-treasurer was created at the outset by the enabling legislation of 1825. Using the deputy-treasurer as a conduit, Fredericton was able to smoothly transfer any funds that trustees might want to invest in provincial debentures. From early on the government had an interest in their operation and holdings. Indeed, soon after their inception in 1824, it was predicted that the government would create legislation allowing access to bank funds:

The Treasurer... may be authorised at the next meeting of the Legislature to borrow all monies deposited in the Savings Bank. Although the state of the Treasury is such that the Province does not require to borrow, yet I am inclined to think, that the measure will be adopted.<sup>2</sup>

As noted above, the legislation of 1825 allowed, but did not require, trustees to invest in the government-backed £100 debentures. Increasing returns from the casual revenues occasioned by the timber boom kept government finances buoyant throughout most of the 1820's, obviating any immediate need for new capital.

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<sup>1</sup>Courier, 11 May, 1833.

<sup>2</sup>Novascotian, 16 February, 1825. The writer had sent a letter and packet of materials relating to the N.B. savings banks to the Novascotian's editor. By publication the N.B. bank had already opened.

The history of New Brunswick's savings banks before Confederation may be divided into two periods. The first one, the Trustee Period, lies between 1825 and 1847. From the first legislation, until a scandal prompted a revamping of the system along Nova Scotian lines, the trustee savings banks located in Saint John, Fredericton and Saint Andrews were basically community concerns. They embodied the classical intermingling of communitarian conscience, civic pride, humanitarianism and capitalism through the aegis of supposedly philanthropic bankers, merchants and other prominent citizens. The second period, 1847 to 1867, was the Government Period. Government takeover of the banks was prompted by the cumulative effects of several embarrassments. Two savings bank cashiers, both respected figures, defalcated, while the third bank suffered a wasting of funds through the risky discounting of notes owned by friends and associates of the trustees. Ironically, just as New Brunswick attempted to rectify the deficiencies attendant with private control by "going public", the Nova Scotia government savings bank fell into disrepute and experienced a run due to the Wallace scandal of 1845-47. It should also be mentioned that although the second period occurred simultaneously with the nominal grant of responsible government in British North America, it was actually some nine years before that theory was implemented in New Brunswick. For the most part the governments of the 1847-56 era were conservative holdovers of the old style, or so-called "compact" administrations, and so changes instituted by them cannot be considered as engendered by the new fiscal freedom and responsibilities of responsible government.

The Saint John Savings Bank, the largest and most important in New Brunswick, exhibited substantial growth during its first years of business. By December 31, 1825, the "balance on hand" was £2868.2.1, derived from the total deposits, £4119.9.3 and total withdrawals, £1251.7.4, of the 185 patrons who had used the institution since it opened in 1824. The breakdown of this balance, held at the Bank of New Brunswick, was as follows: "Notes of Hand" – £1300 (45.3%); Treasury Debentures – £1460 (50.9%) and Cash – £108.2.1 (3.8%).<sup>3</sup>

The treasury debentures issued to the trustees were not only important to the savings bank but also played a role in the Bank of New Brunswick's profit-taking. Its reserves were increased by the amount of treasury debentures it held since they were government stock fulfilling the reserve guidelines of the bank charter.<sup>4</sup> Thus the reserve-loan ratio could be increased by simply holding the debentures for the savings bank. Furthermore, although neither transferable nor assignable, these instruments, by the endorsement of two trustees, were convertible into currency at the treasury. Since many of the trustees were also Directors of the Bank of New Brunswick, in whose vaults the savings bank kept its money and commercial paper, the private bank could access the cash embodied by the debentures if its interests warranted.

That "Notes of Hand", or promissory notes of merchants, comprised a great

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<sup>3</sup> Courier, 7 January, 1826. All figures include interest.

<sup>4</sup>R.M. Breckenridge, The Canadian Banking System, 1817-1890, Ph.D. Dissertation, Columbia College, Published in Toronto, 1894. See pages 24, 155-156. Although this tome is now exactly 100 years old it still remains one of the most lucid and evenhanded accounts of nineteenth-century Canadian banking.

portion of deposits is understandable. Specie being scarce, these notes, from merchants great and small, proliferated in its absence and by necessity found their way into the bank. Significantly, these promissory notes channelled from the savings bank provided The Bank of New Brunswick with a potential avenue to expand its note circulation. If the trustees desired, they might have been returned in the form of bank notes, increasing the bank's reach. At that point the promissory notes became Bank of New Brunswick property, renewable by them, creating further circulation gains. It appears the savings bank itself was discounting notes, since figures are given in early published accounts for "Interest received for renewal of Notes of Hand" and "Notes of Hand, and interest on".<sup>5</sup> The idea, fraught with risks, was to discount notes in order to realise a profit. Like a chartered bank discount, the savings bank would pay out a discount on the face value of the note and then receive the full value back when it came due – or so it was supposed to work. When discounts occurred at the Saint John Savings Bank it is very likely that the note holders received their discounts in bank notes provided conveniently by the trustee-bankers. If these notes were indeed first discounted by the savings bank then their deposition at the chartered bank reflected a desire for safe-keeping since that bank would not pay interest on such deposits, but as noted, might acquire them later.

The exact nature and role of these "notes of hand" is further complicated by

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<sup>5</sup> In 1825, the interest gain on renewals on some portion of £1,300 in total notes amounted to £12.9.10. While not appearing substantial, by comparison the interest gain on £1,460 of debentures was £32, so the note renewal business seems to have been a fairly important segment of the business. "Savings Banks Accounts," *Courier*, 7 January, 1826; 19 January, 1828.

the existence of promissory notes printed by the City of Saint John in lieu of scarce specie. Beginning in 1820, thousands of small denomination notes were issued by the Chamberlain to meet short-term obligations such as the salaries of city workers. Accepted as currency by local businesses, by 1835, there were 40,000 notes worth some £5,000, the amount of which was constricted and expanded by the City to control the money supply.<sup>6</sup> Given their abundance and integration with the business cycle, it is highly likely that many of these notes found their way into the savings bank. Whether they were accounted for as "Notes of Hand" or cash, is not clear. An important point therefore is that the "Notes of Hand" portion of the balance did not necessarily refer only to discounted notes. Some notes, especially the small city notes, would have been deposited simply as 'money' and treated as such by the savings bank. The fact that the bank did not get interest to cover the six percent these deposits earned, because they were not converted into debentures, was not immediately crucial. Most deposits in savings banks were withdrawn gradually allowing for a large gap between total interest liabilities and total 'real' assets. Thus, in the early years, it was not crucial that interest accruing from the portion invested in debentures did not cover the total interest owed depositors.

Rounding out the investment portfolio of the Saint John Savings Bank in later years were city bonds. The brainchild of Partelow, who as chamberlain recognised the need for a long-term funded debt, these bonds, issued for three, six, nine or twelve years, were to be supported by revenues from rentals of city lots.

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<sup>6</sup>Acheson, Saint John, p.183. Denominations were 6d, 1s, 2s, 2s 6d.



However, Partelow's delicate balancing of municipal finances was perturbed by a fire in 1841 and the subsequent collapse of the carrying trade. He was forced to take out high interest loans and sell the bonds at discounts to local merchants in order to meet the city's financial obligations. With a continuing depression in 1842, the new bond-holders forced the city to create a mortgage trust deed of which they became the trustees. All city rents and revenues were placed into trust in return for taking a mortgage. Bond-holders were paid a dividend and capital gains of three percent. The largest bond-holders were the Bank of New Brunswick, The Bank of British North America, the Saint John Savings Bank, Nehemiah Merrit, J.R. Partelow, James Dunphy and the Marine Insurance Company.<sup>7</sup>

In 1843 the investment portfolio at the Saint John Savings Banks was as follows<sup>8</sup>:

Treasury Debentures.....	£ 6,586
Saint John Debentures.....	£ 4,350
Interest thereon.....	£ 565
Corporation of Trinity Church	
Securities.....	£ 1,700
Interest thereon.....	£ 51
Cash.....	£ 178
TOTAL	<u>£14,430</u>

One of the most continuous records of the bank's finances are provided by

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<sup>7</sup>Acheson, Saint John, pp.184-186.

<sup>8</sup>Source: Journals, 1844.

**Table One**  
**Saint John Savings Bank Account with Province**  
**1825-1867**

<u>Year</u>	<u>Debentures Issued</u>	<u>Deposited At Treasury</u>	<u>Interest Owed</u>	<u>Payments</u>	<u>Government Liabilities</u>
1825	£ 0	£ 1,460	£ 32	£ 0	£ 1,492
1826	1,492	1,576	78	1,492	1,654
1827	1,654	0	0	594	1,060
1828	NA	NA	NA	NA	1,124
1829	1,124	800	NA	NA	1,606
1830	0	900	120	253	2,373
1831	2,373	400	126	574	2,325
1832	2,325	200	130	0	2,255
1833	2,255	400	122	500	2,277
1834	2,277	800	114	825	2,367
1835	2,367	2,430	197	406	4,588
1836	4,588	4,707	409	1,295	8,409
1837	8,409	1,450	517	1,158	9,218
1838	9,218	1,832	573	1,623	10,000
1839	10,000	9,225	533	11,958	7,800
1840	7,800	2,850	498	1,148	10,000
1841	10,000	900	580	2,142	9,338
1842	9,338	7,000	452	11,085	5,705
1843	5,705	800	NA	250	6,586
1844	6,586	5,700	487	0	12,773
1845	12,773	7,227	1,011	1,011	20,000
1846	20,000	7,100	1,408	0	28,509
1847	28,509	2,100	1,754	403	31,960
1848	31,960	0	NA	NA	29,992
1849	0	4,050	1,811	1,200	34,653
1850	0	2,800	2,102	0	39,554
1851	0	4,300	NA	NA	43,354
1852	0	4,350	5,241	1,352	51,593
1853	NA	NA	NA	NA	66,797
1854	66,797	9,900	4,001	300	80,399
1855	80,399	0	88	8,088	72,400
1856	74,927	3,000	4,185	12,712	69,300
1857	69,300	1,750	3,870	2,750	72,170
1858	72,170	0	4,115	8,785	67,500
1859	71,500	9,250	3,833	3,833	80,750
1860	80,750	NA	4,236	NA	91,500
1861	91,500	5,250	4,782	0	101,532
1862	101,532	3,375	5,368	2,000	107,025
1863	107,025	NA	5,723	NA	119,998
1864	119,998	NA	6,597	NA	139,875
1865	146,322	NA	6,957	NA	142,582
1866	148,915	1,250	7,754	21,175	136,794
1867	135,963	134,966	10,426	137,000	144,355

the Public Accounts of the House of Assembly. Since these are the Current Accounts of the Province with the Savings Bank, they are concerned with Treasury Debentures and interest, not the overall-picture of the bank itself. Table One is a

compilation from this source covering the years 1825 - 1867.<sup>9</sup>

**Table Two**  
**Summary Accounts Of Saint John Savings Bank**  
**1825-1852**

<u>Year</u>	<u>#Depositors</u>	<u>Deposits</u>	<u>Withdrawals</u>	<u>Balance Due</u>
1825	185	£ 4,119	£ 1,251	£ 2,797
1826	149	NA	NA	NA
1827	127	1,121	1,573	1,642
1832	NA	NA	NA	4,553
1833	NA	2,404	2,619	4,338
1834	NA	2,576	2,117	4,797
1835	182	4,052	1,748	7,101
1836	NA	5,943	3,777	9,267
1837	342	5,326	4,680	9,913
1838	372	5,780	5,031	10,641
1839	454	7,508	4,948	13,201
1840	535	8,819	6,039	15,981
1841	520	7,957	8,455	15,483
1842	413	4,211	7,737	11,957
1843	439	4,325	3,270	13,011
1844	611	10,033	4,052	18,993
1845	855	14,429	5,655	27,768
1846	1,010	13,489	8,515	32,741
1847	1,095	13,750	10,450	36,041
1848	980	11,461	13,709	33,794
1849	1,091	13,795	9,700	37,899
1850	1,329	17,497	12,761	42,625
1851	1,414	17,090	10,209	49,469
1852	1,613	19,082	13,297	55,253

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<sup>9</sup>Source for Table One are the Journals of the House of Assembly of New Brunswick; "Current Accounts of Provincial Treasurer with the Saint John Savings Bank", 1826 to 1842 inclusive. "Government Liabilities" shows the amount of money owed to the savings bank at the end of the year. "Debentures Issued" may refer to debentures issued on December 31 of preceding year or January 1 of year listed. In either case these debentures were issued to cover the outstanding liabilities shown.

Table Two, by comparison, is a tabulation of the summary accounts of the Saint John Savings Bank for the years 1825-1852. It shows deposits, withdrawals and the balance due depositors each year.<sup>10</sup> The healthy surplus of deposits over withdrawals for most years, except in the early

**Table Three**  
**Classification of Depositors, Saint John**

Group	Saint John (1839)	
	N = 154	Percent
High Status	0	0
White Collar	11	7.1
Skilled Trade	33	21.4
Semi-skilled	19	12.3
Unskilled	22	14.2
Servants	5	3.2
Children	33	21.4
Married Women	17	11
Widows/Spinsters	6	3.8
Other	9	5.8

1840's when a commercial depression struck Saint John, reflects the popularity of the bank as well as the astute management of its trustees.

Table Three provides a breakdown of depositor's occupations at the Saint John Savings Bank in 1839<sup>11</sup>. The majority of depositors, 47.9 percent, were

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<sup>10</sup>Source: Courier, 7 January, 1826 and 19 January, 1828; Journals: 1853, 1854-55. The figures include interest gains and payments. All figures for 1825 are cumulative since the bank opened in 1824.

<sup>11</sup>Source: Signature Book of Saint John Savings Bank 1839-1846, Vol. 1103, RG 3:NAC.

working class embracing the skilled trade, semi-skilled and unskilled groups. The predominance of the skilled trade group over the over two groups echoes Acheson's observation that by 1851 "... the strength of the artisan and commercial elements lends a rather bourgeois and prosperous quality to the civic society...."<sup>12</sup> The presence of 11 white collar depositors signals that from an early time the trustees allowed a class of person supposedly not entitled to use the bank to do so. The numerous children may have tended to be the progeny of the better off depositor as well. Of the 33 listed, the parentage of 17 is known. Among that subset, 10 children were offspring of white collar or skilled parents. The low number of servants present in the sample should have been higher given what we know about Saint John's demography. The best explanation for the result is that it is an artifact of the sample.<sup>13</sup>

The savings bank was also an important resource for the hard-working wife. Not only did it offer security and remuneration, it was perhaps the one place where spendthrift or drinking husbands could be isolated from the family funds. In Saint John, two wives left explicit instructions regarding access to the accounts they opened. One, Elizabeth Quayle, wife of rigger, Edward, had a trustee write "No person not even the husband of the depositor is to withdraw the money without her authority." Beside Mary Campbell's signature, marginalia declared that the

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<sup>12</sup>Acheson, Saint John, p. 232.

<sup>13</sup>Acheson's sample taken 12 years later in 1851 yielded 194 live-in servants, indicating a total of approximately 1,000 for the east-side city. At that level they would have outnumbered male labourers. Saint John, p. 243.

"Depositor's husband not to draw the money."<sup>14</sup>

Table Four displays the account distribution at the Saint John Savings Bank in 1843.<sup>15</sup> The breakdown of accounts reveals a situation much like Halifax where the majority of monies deposited in the bank was held in the largest accounts. The smallest two account classes, £0-10 and £10-20, were owned by 38.9 percent of depositors but comprised only 11.6 percent of total monies. By contrast, the 2 uppermost account classes, owned by 29.2 percent of customers, collectively held 54.3 percent of total deposits.

**Table Four**  
**Account Distribution, Saint John, 1843**

<u>Account Class</u>	<u>Percentage Depositors</u>	<u>Percentage Deposits</u>
£ 0-10	20.2%	2.8%
10-20	18.7	8.8
20-30	15.7	12.5
30-40	7.7	9.0
40-50	8.4	12.4
50-60	27.6	49.4
60+	1.6	4.9

The Saint John Savings Bank during its first decade of operation functioned

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<sup>14</sup>"Signature Book, Saint John: 1839-1846" RG 3 V 1103. The importance of such statements should not be underestimated given the subordinate legal status of the wife concerning matters of wealth and property ownership. See Guildford, "More than Idle Ladies," p.10 and Philip Girard and Rebecca Veinott, "Married Women's Property Law in Nova Scotia, 1850-1910," Paper presented to Atlantic Canada Studies Conference, Saint John's Newfoundland, May 1992.

<sup>15</sup>Source: "State of Affairs, Saint John Savings Bank, December, 1843," Journal of New Brunswick House of Assembly, 1844.

well. Operationally stable, it boasted a core of committed trustees who gave many hours to the time-consuming duties attendant to any form of nineteenth century banking. The investment portfolio while not totally secured by government-backed instruments, was nonetheless sufficiently diversified to bring credit to the managers of the institution. While some note discounting went on, the trustees seemed aware of the potential problems inherent in that business and never let it dominate the investments of the bank. In fact, by the end of the trustee phase, almost all of the deposits were secured by government debentures. The tie to the commercial Bank of New Brunswick was undoubtedly seen as a wise move in that it associated the savings of the poor with a powerful and well-respected institution of the province. That advantages might accrue to the chartered bank and some trustees, would have been considered natural. The problem that arose with the bank stemmed not from the strategic disposition of its funds, but rather the proclivity of its trustee, Thomas Heaviside, to misuse them.

The first intimation of wrongdoing by Heaviside as cashier came on 2 February, 1833. His lawyer informed the company that he owed large debts to both the Savings Bank and the Marine Insurance Company, and offered his house and mill in Sissiboo as compensation. He paid some small debts and a few notes due the savings bank just before resigning his positions. Apparently these were only stalling tactics used to pre-empt discovery and arrest because the next day Heaviside fled Saint John. Police were sent after him for he was captured three days later

twelve miles down the Halifax Road.<sup>16</sup>

The prisoner was returned to Saint John where he was remanded into custody at Alexander Wedderburn's house and there given a "private examination". Because Trustee Wedderburn was Heaviside's son-in-law and the preliminary investigation closeted, an "excitement" arose in the community. Upriver, the Royal Gazette criticised this treatment as partial and special. At this time Heaviside's obligations stood at £1,500 owed the savings bank and between £5,000-6,000 to the insurance company.<sup>17</sup> Some citizens stood to lose substantial sums if embezzlements put one or both institutions under.

While Heaviside was eluding capture on 4 February, a meeting was held at Mayor W.H. Black's house in Saint John. Attending were the powerful judge, Ward Chipman Jr. and trustees Thomas Millidge and Hugh Johnston. They resolved to allow no loss to depositors, to continue business and to appoint a merchant, Daniel Jordan, as new cashier. It was further decided to move the bank from its old premises to Mr. Bragg's building at the corner of King and Cross in the downtown district. It was with some degree of amazement and regret that the community accepted that Heaviside, a holder of positions of "trust and emolument", "considered upright and honourable", had indeed been involved in such a "untoward

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<sup>16</sup>Courier, 9 February 1833. This account was reprinted from the Observer and the Gazette. Another reprint in the same issue from the Colonist noted melodramatically no firearms or weapons were found on Heaviside at his capture.

<sup>17</sup>Ibid.



and truly unhappy event."<sup>18</sup>

Heaviside was indicted by a Grand Jury and appeared before John Murray Bliss, assistant chief judge of the supreme court on 18 June. The case only involved the facts of the insurance company embezzlement.<sup>19</sup> It was reported that Heaviside addressed the court in a penitent manner, begging its mercy. His strategy did not really work to his advantage; the sentence was two years in prison, a stiff verdict.<sup>20</sup> Earlier, around 1807, Ward Chipman Sr. had fought against the imprisonment of respectable debtors because of the scarcity of capital and sponsored a bill that modified the law. Given this it might seem that Heaviside received a stiff punishment. However, Heaviside had stolen, not mismanaged, himself into debt. Working in his favour was his status since crimes against property were treated extremely harshly, especially if committed by 'lesser' men. No one exhibited this stern stance more so than Ward Chipman Jr. He had inherited his father's outlook and just five earlier had pronounced the death sentence on an 18-year-old youth for a minor crime.<sup>21</sup> By comparison Heaviside got off lightly.

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<sup>18</sup>Ibid., Gazette, 13 February, 1833. Chipman was not a trustee of the Sair. John Savings Bank. He attended in a legal capacity.

<sup>19</sup> An amusing anecdote using nautical metaphors and double-entendres, "Marine News Extraordinary", appeared in 1833 relating some of the details of the insurance company case. Heaviside had been left in charge of all managerial functions at the company with little or no oversight. He embezzled principal funds and covered the loss by reducing the apparent rate of interest returns from policies, "...and so pocketed all the disposable means he could **finger** --- leaving the master and crew to **watch** -- the bag!" Courier, 16 February.

<sup>20</sup>Courier, 22, 29 June, 1833.

<sup>21</sup>See Phillip Buckner's biographies of "Ward Chipman, (Jr.)," and "Ward Chipman," DCB Vol VIII:149-153 and Vol VI:135-144.

Despite their pledge to stand by the depositors and make good the bank's obligations, the trustees were soon petitioning the government for a bail-out. In a petition in early 1834, they stepped back from their earlier assertion of support, maintaining that in their haste to make good they had not stopped to enquire whether they could be held legally liable for missing funds. Fearing this might now be the case, they belatedly insisted that their quick and generous action had averted "...disturbances, of which strong symptoms were beginning to be manifested among (*sic.*) the lower classes of the Depositors."<sup>22</sup>

The trustees maintained that the difficulty inherent in scrutinizing all the pass-books, the audit of which revealed a £1,000 deficiency, was the reason for the delay in seeking help. They felt that given this large default the bank could not maintain itself, but pledged to run the bank until the shortfall was eliminated by legislative grant. After that, the trustees said it would be up to the community to decide, if and how the institution would continue to function.<sup>23</sup>

This petition failed prompting the trustees to dispatch another to the assembly, council, and Lieutenant Governor during the 1835 session. In the detailed accounts appended, Heaviside's deficiency was now put at £1,125, with the total for the institution at £1,293. Thus they petitioned for £1,200 to assist the bank.<sup>24</sup>

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<sup>22</sup>Petition #139, 1834, RS 24, PANB.

<sup>23</sup>Ibid., This takes into account the £700 that Heaviside's house brought in sale.

<sup>24</sup>Petition 34, 1835, RS 24 PANB. On January 31, 1835 the bank held £334 in the notes of the firm Crookshank and Walter and £37 from the late firm of Hugh Johnston, one of the trustees. In the petition the trustees mentioned that they discounted notes in order to raise funds to meet the emergency.

This was not approved of by the New Brunswick Courier. The editor, Henry Chubb, maintained that the petition should be ignored because the loss was solely the trustees' responsibility. They had not examined the cashier's books, nor required him to post a surety. Knowing that they were acting gratuitously, for the "honor" only, why should they ask for help? The editor compared them to chartered bank directors who had to accept liability. Finally he asked, since the loss was local, why should the province as a whole bear the cost of compensation?<sup>25</sup>

As editors were often wont to do, Chubb exuded a breezy confidence in the veracity of his position. Often the first to call for a savings bank, to exhort the rich to give of their time and become trustees, they themselves seldom stepped forward to endow these community endeavours with their own talents. Now with the trustees, in part because of laxity it is true, discomfited, the Courier turned a blind eye to what was also their misfortune. No one had suspected the upright Heaviside. While Chubb's points about the responsibility of the trustees were on the mark, he might have perhaps exhibited a more understanding attitude.<sup>26</sup> The same editorial noted that the appropriation had been approved.<sup>27</sup> The Saint John Savings Bank had been given a temporary reprieve. It was now up to the legislature and community to decide what steps might be taken to ensure such a contretemps did

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<sup>25</sup>Courier, 11 April, 1835.

<sup>26</sup>Chubb himself profited from the sale of handbills to notify depositors of events and advertisements for the sale of Heaviside's House, to the modest tune of £2.14.9. See Petition 34 1835.

<sup>27</sup>Journals, 1835. Chubb was not exactly correct. A resolution for £1,293 passed on 27 February by a vote of 18 to 11 but the amount was later struck off the appropriations bill. It did pass in 1836.

not happen again.

The community at large appeared satisfied in general with the activity of the savings bank, probably due in no small measure to the fact that the deficiency had been made good. The legislative response was to draft a new law which modified the existing 1825 act governing the Saint John Savings Bank.<sup>28</sup> It empowered the present trustees to meet as soon as possible to elect new members to carry out a reconstituted mandate. Daniel Jordan, installed as cashier immediately after Heaviside's fall, continued for many years thereafter.

From 1833 until 1847, the major impetus for changes to the savings bank system came from the petitions of the Saint John trustees, not the government. The act of 1836 was the outcome of their desire that new rules be made, or allowed constructed, to ensure safe bank operations. This had been done. By 1841 the trustees were petitioning again for change. Seeking to secure the safety of the deposits entrusted to them, the directors sought an expansion of the £10,000 ceiling on treasury debentures, in place since 1825.<sup>29</sup>

The three savings banks in existence during the period under review all followed differing investment strategies. The Saint John Savings Bank was the not only the largest New Brunswick savings bank in terms of deposits, but also the most active in debenture acquisition on a per capita basis. The Fredericton Savings Bank Trustees never invested in debentures. The Charlotte County Savings Bank in

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<sup>28</sup>"An Act, to make provision for carrying on the affairs of the Savings Bank at Saint John" 6 William, Chapter 52, Statutes of New Brunswick, 1786-1836; passed 16 March, 1836.

<sup>29</sup>Journal, 1841:Petition #75.

Saint Andrews did invest, but only limited amounts. Table One shows that by 1838 the £10,000 provincial limit had been filled by the Saint John Savings Bank. If they were to continue to maintain the same investment profile then the debenture ceiling would have to be raised. The option of turning to note discounts, never a popular strategy at the bank, was not used.

The result were two acts passed in 1841. One doubled the limit to £20,000. The other empowered the Lieutenant Governor to appoint two or more persons at any time to inspect and state the condition of the savings banks in the province.<sup>30</sup> Increased government oversight sprang from past problems and the growing importance that the present doubling of loans from the saving bank system represented. New Brunswick had embarked on an upward spiral of capital acquisition via savings bank loans which culminated with the massive loans to help finance the railroad schemes of the responsible governments.

By September 1845, the Saint John Savings Bank had reached the new debenture ceiling again. This occasioned a petition to government asking for another doubling increase of £20,000, thereby setting the ceiling at £40,000. The trustees expressed their great satisfaction with the present system and alluded to the fact that since the limit had been filled they were forced to turn away depositors. Because they were steadfastly "...opposed to having any monies....placed in the hands of private individuals subject to the uncertainties attending investments of

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<sup>30</sup> "An Act to extend the provisions of an Act, intituled An Act to encourage the establishment of Banks for Savings in the Province" 4 Victoria Chapter 20, 1841, and "An Act further to Amend the Act to encourage the establishment of Banks for Savings in the Province" 4 Victoria Chapter 30, 1841; both in Statutes of New Brunswick, 1826-1848.

that kind....," the trustees stopped taking in deposits.<sup>31</sup>

The trustees did not receive their desire *in toto* since the debenture ceiling was raised only by £10,000 to £30,000.<sup>32</sup> Nevertheless, on the eve of responsible government in New Brunswick the Saint John Savings Bank had led the way towards larger savings banks and a greater role in the financial sector of the New Brunswick economy. For over forty years the trustees had managed a stable investment institution which but for the troubles of 1833-34, looked after the interests of its patrons well.

In 1825, operating under the new provincial legislation, a group of citizens in Saint Andrews, Charlotte County, set up a savings bank of their own. In keeping with the ethos of trustee banking many of the local gentry who functioned as overseers of the poor and justices of the peace became directors. Prominent among them were Thomas Wyer and Peter Stubbs, both Justices of the Peace. Wyer was an original settler of Saint Andrews, having been one of the Penobscot Associated Loyalists, a group from Massachusetts that founded the town after the Revolutionary War.<sup>33</sup> Stubbs, described as a respectable merchant, was a MHA for

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<sup>31</sup>Petition 13, 1846:RS 623, PANB. At the close of 1845 deposits amounted to £27,000: £20,000 Province Debentures, £5363 "other public securities", £1637 cash and notes.

<sup>32</sup>"An Act further to extend the Act....." 9 Victoria Chapter 61, passed 14 April, 1846.

<sup>33</sup>See DCB entries: Roger Nason, "William Gallop" V:336-337; R. Nason and David S. MacMillan, "Robert Pagan", VI:561-563; L.K. Ingersoll, "Wilford Fisher", IX:262-263. Wyer, although so indicated in Gallops biography, has no entry. Also see MacNutt, History of New Brunswick, pp.39-40 and T.W. Acheson's "A Study in the Historical Demography of a Loyalist County," Social History/L'Histoire Sociale Vol 1 No 1 (April, 1968):53-65.

the area as well as editor of the Saint Andrews Herald.<sup>34</sup>

Little is known of the bank's early financial position owing to a paucity of sources. Compared to the Saint John Savings Bank, the Charlotte County Savings Bank does not appear to have invested extensively in government debentures. Since no accounts from the savings bank there exist it is impossible to gauge the ratio of debenture investments to total deposits.

Both Wyer and Stubbs were intimately connected with the Charlotte County Bank which had been founded the same year as the Savings Bank. A small local bank with authorized capital of only £15,000, its incorporation reflected the initial success local 'Loyalists' founders had achieved in mercantile, shipbuilding and timber businesses during Charlotte County's economic boom between 1812 and the mid 1840's. Wyer, a local MHA, was a director of the Charlotte County Bank while Stubbs served as cashier. Thus from the start a close and familiar connection existed between the banks.

In 5 April, 1835 Peter Stubbs absconded from the province owing funds to both banks.<sup>35</sup> As in the Saint John case, the weak provisions of the Savings Bank

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<sup>34</sup> Royal Gazette 26 October, 1824 makes mention of Wyer's Esquire status. Wyer was chosen a director of the Charlotte County Bank in 1834 see Courier, 24 May. Stubbs appointed a J.P.(Wyer reappointed) in 1833, Courier, 12 January. For more biographical information on Stubbs see Courier, 11 April 1835.

<sup>35</sup>"Petition to House of Assembly" RS 24 File 1 #17 1837, PANB. The depositors were headed by a committee of the Saint Andrew's Benefit Society --- Peter Smith, Miles J. Hannah and Thomas Sime. A management committee of two, D.W. Jack and Sime, was appointed to look at the details and costs of recovering the losses. The petition, received in July, was co-signed by 30 other petitioners. Petitioning as well was one Robert Roberston, a Revolutionary War veteran from Grand Manan Island and a widow, Patty Strachan. Theirs were presented by Thomas Wyer and Brown. The committee appointed to investigate was comprised of L.A. Wilmot, Weldon and Crane. See JHA 1838. p.17.

act, the class bias of the courts and trustee mismanagement were revealed. Stubbs had been elected a director of the savings bank and appointed its cashier in 1830. Apparently, this was the last year in which a regular election of a President and eight directors had been held. That year the savings bank began loaning money to the justices of the peace to be used for public services in return for promissory notes of the Clerk of the Peace. At the time of the petition these still remained unredeemed. The petition noted that "...sums to a large amount were received and paid..." by Beverly Robinson, the Deputy-Treasurer at the time, in his capacity as government agent for debenture investments.<sup>36</sup>

When the worried petitioners approached the trustees demanding their money back, the officers informed them they did not consider themselves liable for the sums in dispute. Even though they had actually transacted business since Stubb's flight, they now denied fiduciary responsibility since legitimate elections had not taken place since 1830. Denied access to their money by this flimsiest of excuses, the depositors launched a lawsuit against the trustees to recover their deposits and determine their rights. The seemingly just and legitimate claims of the petitioners were not upheld before the legal system, an ominous strike against the "safeguards" of legislation.<sup>37</sup>

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<sup>36</sup>Ibid. The petition alluded to his accounts which showed debentures paid to the savings bank in 1831-34, amounting to £2,230.

<sup>37</sup>Ibid. In May, 1837, a circuit court jury at Saint Andrews found against the plaintiffs when Justice Carter argued that proof of joint action by all the trustees since 1830 was needed to find negligence on behalf of the trustees as a body corporate. This rebuttal prompted accusations that Beverly Robinson had allowed two trustees to withdraw large amounts of money from the bank.



The four trustees who remained also petitioned the legislature. They portrayed Stubbs as the main villain of the piece, with the government a close second. He had lawfully withdrawn the funds of the savings bank from the sub-treasury, although there had been no proper elections, because the law empowered him to do so with only one other signature since he was both cashier and one of the original nine trustees. "(N)ot knowing whether they could be legally authorised to interfere in the management of (the) said institution they refrained therefrom." This was a dubious rationale. The trustees were in a fiduciary capacity and liable to protect the savings of depositors or be sued. The trustee's should have acted to stop him, notwithstanding the legality of the actual withdrawals. They did not because they were reaping personal financial gains from Stubbs' shenanigans or the negligently ingorant of his activities.

Apparently the courts later overturned the earlier decision since the petition mentions a successful action brought against the trustees by one of the depositors. Four petitioners now claimed to be liable for over £800 and prayed that the legislature might pay the sum.<sup>38</sup> The next year saw these trustees petitioning again for funds to cover two new "certificates" that had since appeared and the remaining liabilities. The certificates, "...not before known or estimated..." while the extant liabilities they complained, once more, "...originated in no act of their own but from the facility given by the Law of the Province authorizing the withdrawals of

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<sup>38</sup>Journals, 1839, p.415.

money from the Treasury."<sup>39</sup> A certain amount of scepticism must be retained regarding the origin of the unknown "certificates". The trustees as the issuers must have known of their existence which leads to the conclusion that either they were helping colleagues trying to fund them or the liabilities were their own.

Meanwhile efforts were under way in the House itself to pass a bill empowering three commissioners to investigate and sue on behalf of the depositors. The repeated introduction and failure of the bill over a period of four years attests to the reactionary resistance from trustees sitting in the House, such as Thomas Wyer, and their allies on the legislative council. One bill preamble referred directly, not only to the promissory notes of the justices of the peace, but also to other sums of money allegedly due the savings bank from the President and directors of the Charlotte County Bank, something not mentioned in the petition of the Benefit Society.<sup>40</sup> This is direct evidence that an interlinkage, provided by common trustees and directorships, did exist between the savings and commercial banks of the county. Collateral advantages had been employed by the local elite to the disadvantage of the depositors.

Little doubt exists over the exposure of the depositors' savings. Their money was lent to justices of the peace in return for unsecured promissory notes often left unrenewed for years. A great part of it, invested in debentures, was pulled out of

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<sup>39</sup>Petition #87, File 3:1840, RS 24 PANB.

<sup>40</sup>See Bill #20, File 4:1837; Bill #8, File 2:1838 in RS24 PANB and JHA 1841, Bill #81, which was given to the committee of the House and then postponed. Both Bill #20 and #8 were engrossed and sent up to the upper house where they failed to pass. Oddly, Brown also tabled the second Trustee petition in 1840.

the treasury by the cashier and used for illegal or at least unsound purposes. Some of this portion was re-deposited by Stubbs in the chartered bank and used by its directors, most likely to discount paper. The remainder was stolen by Stubbs when he fled.<sup>41</sup> The loss seriously jeopardised ordinary people whose savings represented years of toil and effort. In large measure the scandal grew out of financial malaise that gripped Charlotte County and the rest of the Province by the mid-1830's. A market cycle dip starting in 1836 had become by the following year a general depression. The West Indian trade and lumber business that had initially provided Saint Andrews' buoyant start declined in the face of these and other difficulties.<sup>42</sup>

The stagnant local situation was set out eloquently by a petition of the Saint Andrew's overseers of the poor regarding their alms house. The institution, founded in 1820, had room for fifty but by late 1837 housed sixty-four. Immigration pressure exacerbated by access afforded by the sea and nearby international border had caused an overflow. Paupers from overseas arriving in ships, as well as those from across the province, used the town as a thruway to the United States. Those that were too infirm or indigent to continue remained as "... a burthen upon the inhabitants of the town." Making the situation worse was the depressed state of the American labour market, which pushed recent spring

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<sup>41</sup>The Courier stated he stole £340 each from the savings and chartered bank, 11 April, 1833.

<sup>42</sup>The biographers of Robert Pagan, a prominent Saint Andrews merchant and Wyer's Brother-in-Law and one-time partner cite competition from Saint Stephen, loss of hinterland resources to a crown reserve and America's West Indian competition as reasons for decline. See Nason and MacMillan, "Robert Pagan" DCB, Vol VI:561-563. See also Acheson, "Historical Demography," pp.58-60.

emigrants back to Saint Andrews "...in a state of utter destitution."<sup>43</sup>

Ominously, by June, the alms house was bursting with women and children whose mates and fathers had abandoned them to find work elsewhere. More people than ever, whatever the season, sick and healthy, now "... crowded together promiscuously even at the risk of engendering disease." What would happen this coming winter, wondered the worried overseers? They solicited funds to build an addition to the institution. Heading the petition was the same Thomas Sime who was petitioning on behalf of the cheated depositors. Surely, for him, witnessing first-hand the "utter destitution" of the poor, the ramifications and injustice of the savings bank debacle must have been most troubling. Those most able to look after themselves in times of financial stress, seemed to be riding out their losses on the backs of the working poor. Depositors, be it an old war veteran or widow could have quite easily ended up in the alms house, a distressing alternative. While it is understandable that the depression would cause hardship for all classes, as trade and labour demand fell, there was no good excuse to tie the deposits of the savings bank so closely to the fortunes of local merchants and the commercial bank.

In the end, the defalcation, ensuing lawsuits and payoff of the trustees, all subverted the ideology of thrift-banking in Saint Andrews for a long time. Confidence and stability, and an increase in the self-help ethos leading to steady growth were not ever to be hallmarks of the savings bank in Saint Andrews. It might also be said that Stubbs' theft and the ensuing trouble at the bank coincides

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<sup>43</sup>Petition #19 File 1:1837 RS 24, PANB.

with a watershed in the history of Charlotte County, by the 1840's several factors coalesced to push Saint Andrews from its potential entrepot status to a more modest situation as a small county shiretown 'by the sea'.

The first account of the Fredericton Savings Bank dates from 1830. Because the bank did not invest in government debentures no accounts entered the public record before 1847. Table Four is a compilation of available data.<sup>44</sup> Out of the twenty years listed, eleven featured growth. The best years for the bank came between 1829 and 1841 when the balance due increased 280 percent overall. With the onset of the commercial depression in 1836, which extended itself in New Brunswick through the early 1840's, the picture became bleaker. As the overall economy declined, so too did the bank's note discount business. When businesses became shaky, or failed outright, as employers laid off employees, the promissory notes fell in value. The reciprocal for the bank was increasing difficulty in realizing the value of notes that they had discounted, or in getting endorsers to renew when they came due. The mercantile economy resembled a long row of dominoes --- distant perturbations, vaguely understood by many, ultimately led to the collapse of credit in the hinterlands of London and New York. The savings bank that had

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<sup>44</sup>Source: Gazette, 12 January, 1831; 8 January, 1834; Journals, 1844 "Public Accounts". Most of this table is taken from an account submitted by John F. Taylor to commissioners appointed to investigate problems at the bank in 1846. Although it differs in small detail with Partelow's subsequent accounting, it is the best year-by-year record of the bank's finances. See "Statement showing the Amount Deposited in the Fredericton Savings Bank each year...." RS 623 File 9(a) PANB. Unless otherwise noted "Balance Due" is for 1 January, "Deposits" includes interest, "Percent  $\frac{1}{2}$ " refers to the percent change in balance due.

indulged itself during the heydays of the late 1820's and 1830's would get swept out as the tide of speculation receded. From 1841 to 1846, the 44.5 percent decline in the "balance due" witnesses the depositors' need for their funds as the depression pinched off employment and wages.

Table Five  
Summary Accounts of Fredericton Savings Bank  
1830-1846

<u>Year</u>	<u>Balance Due</u>	<u>Deposits</u>	<u>Withdrawals</u>	<u>Percent †</u>
1826*	£ 2,153	£ 3,563	£ 1,732	--
1827	1,829	1,488	765	-15%
1828	2,552	1,384	1,690	+40%
1829	2,246	1,694	1,399	-12%
1830	2,541	1,916	1,197	+13%
1831	3,259	2,036	1,475	+28%
1832	3,821	2,585	1,920	+17%
1833	4,486	2,012	1,568	+17%
1834	4,930	1,818	1,789	+ 9%
1835	4,960	3,808	1,631	+ 0.5%
1836	7,136	4,456	4,136	+44%
1837	7,456	2,845	3,649	+ 4%
1838	6,652	3,019	2,704	-11%
1839	6,967	4,008	3,481	+ 5%
1840	7,494	4,353	3,305	+ 8%
1841	8,543	3,561	4,182	+14%
1842	7,921	1,232	2,350	- 7%
1843	6,803	579	1,522	-14%
1844	5,860	--	--	-14%
1846**	4,741	1,579	2,698	-23%

\* -- 17/01/25 to 30/06/26; \*\* -- 01/01/44 to 11/04/46

From the Fredericton Savings Bank individual account books and ledgers

exist that make it is possible to reconstruct its operations between 1825 and 1847.<sup>45</sup> Among the 204 accounts, 44 did not have their occupations identified and 9 others were societies or trusts. The remaining 151 accounts were comprised of 53 children (25.9%), 46 labourers (22.5%), 14 farmers (6.9%), 11 servants (5.4%), 7 teachers (3.4%) and a smattering of 20 (9.8%), other miscellaneous depositors. In total, using the occupational classifications employed above, there were 8 white collar, 10 skilled, 14 semi-skilled and 46 unskilled depositors.<sup>46</sup> Clearly, besides following a different path regarding the disposition of its investment portfolio, Fredericton was also unlike either Saint John or Halifax in terms of its depositor profile. Given the nature of Fredericton's economy this is not entirely surprising since it lacked the shipbuilding or proto-industrial base that existed in the two larger centers.

Two variables pertaining to bank use were investigated -- duration of the accounts and the amount deposited. Only complete accounts, ones that listed occupation and were clearly closed out, were used. This reduced the size of the total sample to 127.<sup>47</sup> It would be expected that depositors whose accounts both grew more and were open longer would be those who were either more well-off and were able because of circumstances to leave initial deposits alone to accumulate interest. For instance, an initial deposit of £5, left completely alone for 10 years,

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<sup>45</sup> "Account Ledger of Fredericton Savings Bank, 1825-1837," MC 489 MS4(B) and "Fredericton Savings Bank Account Books, 1825-1847," MC 489 MS1: PANB.

<sup>46</sup> All the semi-skilled were farmers while the skilled group was comprised of 3 shoemakers, a mason, 3 bakers, 2 carpenters, 1 blacksmith and 1 tailor. The white collar group consisted of 1 military doctor and the 7 teachers. All the unskilled depositors were labourers.

<sup>47</sup>Source: Account Ledger of Fredericton Savings Bank, 1825-1837". Figures in brackets after Average Close Amount give percent increase in account holding.

could eventually equal one large quick deposit. However, the luxury of leaving accounts alone for long periods of time did not belong to all depositors. Therefore the amount of time that an account remained open is a clue to the financial strength of the depositor as well as the amount.

The 127 complete records yielded an average opening deposit of £17.83 and an average closing withdrawal of £25.98 for a 45.7 percent increase over time. Children although they had the lowest average opening deposit enjoyed a healthy 54.7 percent increase over time. Adult farmers, although they deposited on average much larger sums than children saw their deposits grow by 23.5 percent less. Servants, who started off with relatively little, realized

**Table Six**  
**Account Size, Fredericton Savings Bank**

Type of Depositor	Average Open Amount	Average Close Amount	Average Time Open
All Records, N=127	£17.83	£22.98 (45.7%)	3.12 Years
Labourers, N=45	£20.16	£26.13 (29.6%)	1.75 Years
Children, N=42	£11.05	£17.09 (54.7%)	5.95 Years
Farmers, N=13	£23.01	£30.19 (31.2%)	1.68 Years
Servants, N=11	£12.12	£34.07 (181.1%)	1.53 Years
Skilled, N=9	£22.02	£24.07 (9.3%) <sup>4</sup>	1.93 Years
White Collar, N=7	£16.02	£27.06 (68.9%)	1.72 Years

account growth of 181.1 percent, by far the largest. This reflects the fact that their room and board was often paid for by employers, as well as the regular and steady payment of their wages. Skilled workers, on the other hand, netted only 9.3 percent gains on their accounts, the lowest recorded. Their initial opening amounts



were the second largest, but demands of family and work expenses put a constant demand on their savings. By contrast the white collar depositors, predominantly teachers, started off slowly but seemed able to save quite well as time progressed.

On average, all complete accounts were open for 3.12 years. Children far outlasted all other categories at 5.95 years. The long durations were the factor that allowed children, who deposited on average the smallest opening amount and who were not earning adult wages, to amass such relatively large sums by the end of their account life. In fact, the time variations of account duration between other occupational categories are so small that differences in the percentage increases of account balances can only be explained by collateral factors such as size of the initial deposit and the subsequent frequency and ratio of withdrawals and deposits. To take the extreme example, while servants kept their accounts for an average of 1.53 years and increased them 181 percent, labourers, who kept theirs open on average slightly longer at 1.75 years, managed only around 29 percent increases. The size of the average opening deposit of labourers, £20.16, seems very large given their wages. The small percentage increases observed for labourer accounts, however, suggests that the large size of their initial deposits was a function of pre-institutional saving. Once they opened accounts the amounts did not grow significantly. Their low, uncertain wages, and living expenses would seem to be the reason why, all other things held equal, they and others, saved less over time than the servants.

The investment portfolio of the Fredericton Savings Bank was signally

distinguished by its lack of government debentures during the trustee phase.<sup>48</sup> Not a penny found its way into the relative safety of government coffers. This occurred despite the fact that the bank was located at the seat of power and featured many government officers among its trustees. One might think that mercantile Saint John, more commercially oriented than sedate, somnolent Fredericton, would have possessed the savings bank exhibiting the greater penchant for risk-taking through note-discounting, but this was not the case.

The answer lies in the circumstances of events and chance. It would be expected that H.G. Clopper, a leading trustee with a vigorous and expert voice, would have counselled a safer course such as pursued in Saint John. Described as somewhat of an intelligent scrooge, a man who counted every penny and collected every debt, he also possessed a "clear and powerful intellect".<sup>49</sup> However, he spread himself very thin across a large number of activities. Given the minutiae of banking, it was impossible to continue long in a substantial role and still discharge other duties that put bread on his table. Other trustees did not appear ready to commit a great deal of thought or time to the bank beyond the weekly chores. The onus of business decisions fell then onto the shoulders of John F. Taylor, a merchant who could make money from the bank's activities.

The records of George J. Dibblee, solicitor for the Fredericton Savings Bank

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<sup>48</sup>Little was held as cash as well. 1831: Balance Due - £3,259/Amount in Notes - £3,102; 1834: Balance Due - 4,930/ Notes - £4,843; 1844: Balance Due - £5,860/Notes - £5,943. All figures for January 1, except for Notes, 1844 (1 February, 1844).

<sup>49</sup>Young, "H.G. Clopper," DCB VII:188.

for many years, provide an idea of the cumbersome and litigious nature of the promissory note discount business.<sup>50</sup> For the most part his work consisted of bringing suits against the endorsers and drawer of notes who refused to pay. The promissory note, in its basic form, consisted of a promisor, one making a promise to pay someone else, and a promisee, one accepting the promise. Oftentimes, however, the situation was complicated by a third party. A person might "draw" a note on a merchant house, which would then be required to pay the amount of the note, usually in 30, 60 or 90 days, to the promisee. Initially, the drawer acquired the note either through holding a credit for that amount with the merchant or by a specie payment.<sup>51</sup> The merchant or drawee, was now the payer, and the promisee the payee.

If the back of the note was endorsed with the signature of the promisee, it was transferable. Holders of notes, either the original promisee or someone else, could then have them discounted by the savings bank. At that point they received their money in specie or bank notes, or an interest bearing deposit was created, minus the discount differential. The savings bank now owned the note and hoped to realize a profit by presenting it to the merchant or returning it to the holder for payment after it came due. It is at this point that the business became speculative. If the merchant held debts against the promisor or the endorser greater than the note amount, then he could legally refuse to pay the savings bank. He was the least

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<sup>50</sup> His records dealing with savings bank business date from 1829 and continue sporadically until the early 1840's. See Dibblee Papers, F-10, Numbers 1 to 18, PANB. Hereafter Dibblee.

<sup>51</sup>A paper note would be safer and easier to handle and transport.

legally liable of the three parties involved, therefore when disputes arose, the endorser or promissor was sued, not the merchant who had refused to honour the note.

Contests over promissory notes arose immediately after the opening of the Fredericton savings bank. In one example during 1828, the savings bank received an endorsed note from a promisee, one Bernard Carroll. The note, for £17.10 currency, was promised by Bryan Brady, to be drawn at James Taylor Sen. & Co. in Fredericton.<sup>52</sup> Although it was Carroll who had signed over the note to the trustees in partial payment for a £20 loan, when Taylor & Co. refused the note on due day, it was he and Brady who received the action, Carroll because it was his debt to the savings bank and Brady because of debts to Taylor & Co. that prompted them to dishonour the note. One can easily imagine how this situation, multiplied many times and occurring in a poor economic climate, led to disaster for the thrift institution.<sup>53</sup>

The practice of mixing business and thrift could bear negative consequences for those dependent on the acumen of fathers and husbands. A depositor in his minority, William Staples, died in the winter of 1842. In the spring of 1844 his mother, Elizabeth, called on the bank and asked that her son's account be transferred to her own. When her husband, Richard, found out about the

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<sup>52</sup>Dibblee, "Fredericton Savings Bank vs. Bernard Carroll and Bryan Brady, Supreme Court, 29 May, 1829", F10-3.

<sup>53</sup> In the Dibblee collection are papers concerning 21 such actions initiated by the bank. Almost all were drawn on the Taylor firm. Likely, many more were settled out of court after threat of suit.

transaction he flew into a "great rage" and demanded that Taylor the cashier prevent his wife from withdrawing the money. This Taylor agreed to do. Shortly thereafter, however, Richard Staples died and it was decided by legal counsel J.A. Street that the transfer, occurring as it did without the consent of the husband was illegal. Since Staples was in debt and had willed it to his creditors, they were declared the lawful owners.<sup>54</sup> Not only was Elizabeth Staples stripped of the £62 in William's account, but her daughter, Harriet, was obliged to sign over the £67 in her own to Brock W. Hammond.<sup>55</sup>

By 1843 tough economic times had put a squeeze on money and credit, making it difficult for Taylor to find the money to pay desperate depositors. One such depositor, J. McCarty, called his £40 deposit all at once, but Taylor was unable to pay in specie. In explaining his predicament to the Lieutenant Governor and executive council, Taylor advised them that all the money deposited:

....has been lent out to different persons on Interest and that the pressure for money for some time past has been so great that I have not been enable to collect any bills more than the Interest.<sup>56</sup>

Taylor tried getting McCarty to accept one to five pound instalments but he refused, saying he would be back in one month to collect it all. Taylor lamely stated he would endeavour to have the money ready, although it is not known if he

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<sup>54</sup>"Fredericton Savings Bank Records," MC 489 MS2, PANB.

<sup>55</sup>Ibid. This affair is an example of the difficulty Taylor's penchant for discounting notes created. Other documents show Richard Staples and B.W. Hammond signing notes to pay debts to Charles Fisher drawn on the savings bank. Presumably they Staples and Hammond were business partners of some sort whose debts were liquidated with the help of the accounts of Staples' children.

<sup>56</sup>"Taylor to Alfred Reade, Govt House," 25 March, 1843: RS 623 Executive Council, File 9b, PANB.

ever did.<sup>57</sup>

By 1845 the savings bank was shackled with debt. A petition to the Lieutenant Governor and council from two depositors, William Sheahan and John Neilson, spelt out the crux of the scandal. The firm of James Taylor Sen. & Co. was bankrupt. Since most of the notes discounted were drawn on the firm, of which the treasurer himself was a partner, the bank's loan portfolio had become seriously compromised. Numerous demands on the treasurer for funds were not being honoured which given the "circumstances" of the depositors "would be ruinous". As in Saint Andrews and Saint John before, the petitioners insisted that "... the Provincial Government (was) bound to protect them...."<sup>58</sup> Given the precedents established in Charlotte County and Saint John, the government was going to have to accept responsibility for this latest defalcation.

J.R. Partelow and Charles P. Whetmore were appointed to investigate in late 1845, the first of many such labours, that for Partelow at least, would not end until 1855. They reported back to provincial secretary, John Simcoe Saunders, that as of 1 September, 1844, some 202 depositors were owed £5,049, including interest. The bank held 118 promissory notes, which, including interest, were nominally valued at £5,168, plus cash on hand of £58. The notes, all of which were endorsed, comprised all of the banks deposits. £2,000 worth were overdue, and a considerable portion of

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<sup>57</sup>Ibid.

<sup>58</sup> "Petition to Executive Council, August 26, 1845," RS 623 File 9(b), PANB. Marginalia on the petition by the provincial secretary noted that "several petitions have been received & some from the United States & severe reflection are made -- on the subject xxxxxxxxxxxx in the Province".

them for many years.<sup>59</sup>

In the small universe of Fredericton, it was quickly apparent to the omniscient Partelow that the endorsers and drawers of many notes would be unable to pay. In winding up the affairs of the bank the investigators concluded that the government was going to incur losses. Only one-half of the liabilities would be recoverable, and that would take one year. The rest "... to say the least (was) of a doubtful character and ... we are persuaded that the parties will not be worth pursuing."<sup>60</sup> Since the bank's assets had been collapsing, the duo was less than sanguine someone would assume responsibility. Although new rules and regulations had been filed with the Office of the Clerk of the Peace as the 1836 act required, only three trustee meetings had been held since then "...so that literally the whole arrangement of the Bank has been under the direction of the Cashier, Mr. Taylor."<sup>61</sup>

There had been a complete breakdown of authority and oversight in Fredericton, directly under the nose of the legislature which had passed several acts since 1825 re-ordering the conduct of the province's thrift institutions. The probe noted that the 1837 act and the events that had prompted it, must have had some sobering affect on Taylor. Most of the loans he had discounted were previous to

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<sup>59</sup>"Report of Partelow and Whetmore to Saunders on Fredericton Savings Bank, 18 October, 1845," Executive Council RS 623 File 9(a), PANB.

<sup>60</sup>Ibid.

<sup>61</sup>The three meetings were held in 1839, and April and November of 1843. Absent from the original trustees were Saunders and James Taylor Sr, both who died in 1834, and notably, Clopper. Ibid.

that time. He was advised to get the promissory notes in order by placing them in the Central bank where the endorsers would be notified of due dates as per standard banking practice. Doubtful notes were to shored up with renewals and security.<sup>62</sup>

Remedial steps were taken during the winter legislative session via an act designed to investigate the affair, make amends to depositors and re-organize the bank.<sup>63</sup> All sitting directors were dismissed and Partelow appointed sole trustee. Given sweeping powers to collect and reorganize the liabilities of the bank, he produced his first report by the fall. Partelow feared that when the drawers of bills became unable to pay, the endorser would claim non-liability because they had not been notified. To avoid this he used moral suasion to achieve two alternative outcomes. First, endorsers were encouraged to become promisors themselves, thereby taking full legal responsibility for the sum in question. A second option was to endorse new paper for the old obligors. Both devices were essentially attempts to renew the old paper in newer, more secure forms.<sup>64</sup>

An account drawn up in 1846 by Partelow reveals that the obligors to the

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<sup>62</sup>*Ibid.* Commenting on the report to the Lieutenant Governor via Saunders, attorney-general, Charles J. Peters, and solicitor-general, George Frederick Street, advised that given the serious questions involved concerning "private rights" action should be deferred till the impending winter session of the legislature. "Attorney-General and Solicitor-General to Saunders, 22 November, 1845 " Executive Council, RS 623 File 9(a), PANB.

<sup>63</sup>"An Act to make provision for the winding up of the affairs of the Savings' Bank at Fredericton," Statutes of New Brunswick, 1836-1848, Passed 11 April, 1846.

<sup>64</sup>"Report from Commissioner For Winding Up Affairs of the Fredericton Savings Bank, 11 September, 1846," Journals, 1847, p. xviii. The Central Bank had agreed to take notes as they came in and notify the drawers and endorsers free of charge when they came due, something that Taylor had failed to do. Partelow stated that the depositors, owed £4,675, exhibited "a patient willingness to abide the result".



bank, or in other words those with access to its capital, were well-connected and prominent men.<sup>65</sup> Trustees involved in loans were Mark Needham, Peter Fraser, Asa Coy, and Peter Fisher. Other prominent businessmen and politicians who had drawn, or backed loans as sureties, were Charles Fisher, Benjamin Wolhaupter, George L. Hatheway, William H. Needham, J. and F. Beckwith and A.J. and L. Hammond, to name a few. As in the case of the these latter two, many of the loans were backed by family members tied together in business so that a default by the drawer of the loan was not necessarily safely underwritten by the signature of a brother, father, or son. Out of the 96 loans listed, 28 were backed by members of the Taylor family or Taylor & Co. If the drawers of those loans were unable to repay, the fall of the Taylor business meant their support of the notes was worthless. This indeed was the case for a great many of the notes.

Six years later, Partelow was still reporting back to the legislature about the winding up of the affairs of the bank.<sup>66</sup> Including interest, some £4,841 remained outstanding while £2,116 had been collected. Of the remainder, £868 was considered "good", £176 "doubtful, and £1,679 "bad". Remembering that many of these loans had been contracted before 1837, one can only imagine the legal and administrative difficulties encountered in recouping obligations so old and tenuous. By 1850, some 171 depositors had been paid £3,777 per the amounts in their pass

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<sup>65</sup>"Account of Bills Receivable for Money Borrowed from Fredericton Savings Bank with Interest thereon to 11 April, 1846," RS 623 file 9(a), PANB.

<sup>66</sup>"Fredericton Savings Bank: Returns of Receipts and Payments," JHA 1850, Appendix pp.cclvii-cclix.

books, while Partelow received a well-earned 5 percent commission of £188 for his pains.<sup>67</sup> By late 1853, the process was finally completed. The "good" debts had been collected and the remainder owing paid out of government funds to the depositors.<sup>68</sup>

While the depositors in the end were saved by the outstretched hand of government and thus no serious harm done to their fortunes, the scandal destroyed the idea of trustee savings banks once and for all in New Brunswick. The notion that gentlemen trustees, presumably working gratuitously for the general good, should stoop to lining their pockets, or those of their friends and associates prompted demands for structural change. Like similar episodes in Nova Scotia and Canada, the scandals occurred just prior to the onset of responsible government and the emergence of a new political regime. The scandals left a vacuum; into that space stepped governments prepared to refashion and build on what had been established. Notwithstanding the past, it was clear that in the future more money could be raised and utilized under the expert care of a fiscally adroit government apparatus.

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<sup>67</sup>As usual, lawyers reaped the benefits of litigation over debts. R.L. Hazen, L.A. Wilmot, W.J. Ritchie and George Wheeler were all involved in suits against recalcitrant note holders and estates, *Ibid.*

<sup>68</sup>"Report from Hon. J.R. Partelow, transmitting Accounts as Trustee of Fredericton Savings Bank," *JHA*, 1854-55, Appendix pp. cxliv-cl.

## Chapter Six

### "The Faith and Credit of the Province": New Brunswick Savings Banks, 1848-1867

By the late 1840's, the renewed winds of political change blowing so strongly in other British North American colonies were being felt with equal force in New Brunswick. As in Nova Scotia, earlier battles over the civil list, crown lands, quit rents and appropriations had subsided by the late 1830's, with the assembly usually prevailing. Although politics had been permanently polarized, the late 1830's and early 1840's were fairly quiescent, being dubbed by MacNutt as the "Age of Harmony". Imperial retrenchment, changes in the trade laws, disastrous fires and financial stringency, however, tended to fragment the political peace of the province. Although leading figures, such as Charles Simonds, decried party politics as destabilizing and alien, as everywhere else, they had to follow the new fault lines appearing in New Brunswick society as modernity proceeded.

Although the exact dating of responsible government in New Brunswick is open to debate, it is ascribed here to the first Fisher-Tilley administration of 1854. Earlier administrations, although leavened with reformers appointed to the executive councils, still employed the 'compact' style of paternalistic government, as exemplified by Lieutenant Governor Head's successful attempt to prop up his unpopular administration in 1851 by wooing two important reform members, John Hamilton Gray and Robert Duncan Wilmot, into his council. This forced the resignation of Tilley, Charles Simonds and W.J. Ritchie, the reform leaders who had hoped to

bring down the council. Men such as these, while not democratic, resented the trampling of their rights as free Britons by unelected officials, and the cynical tactics they used to maintain the status-quo. In 1854, the reform cause finally triumphed with the installation of a council based more or less on the British cabinet system. The head of the reform party, Charles Fisher, became the head of the executive council, while Tilley, the real power, assumed the position of provincial secretary. This resembles closely the situation in Nova Scotia where Howe and Tupper first assumed offices nominally below Young and Johnston, while exercising the true leadership.

In Nova Scotia, legislators had proceeded with reform and expansion of the government savings bank system well before responsible government became a reality. The fiscal requirements of government, growing complexity of the colony and language of bills pertaining to the bank, all pointed to a development mind-set which predated the important changes in the political landscape in the late 1840's and 1850's.

In New Brunswick the evolution of state enterprise through the savings banks bears both strong resemblances and differences to what occurred in Nova Scotia. Before 1847, savings banks were private there was no direct government control over deposits. While funds could be invested in government debentures, only the Saint John facility embraced that option on a large scale. There is little evidence to suggest that politicians or commentators viewed the funds of thrift institutions as potential sources of development capital with the same eagerness

found in the United States and Nova Scotia. On the other hand, New Brunswick created the template for eventual expansion quite early on through the integration of the banks with the machinery of government represented by the deputy-treasurers.

Furthermore increases in debenture levels occurred regularly since the mid-1830s; the passage of an act in early 1847 raised the statutory limit on debentures yet again, this time to £50,000.<sup>1</sup> Increases of five times the original amount of £10,000 had occurred since 1825. Not counting the bills constructed specifically to deal with scandals, five savings bank acts had passed the legislature since 1836, hardly legislative limbo. A sixth act in April, 1847, totally reorganized the savings bank system in New Brunswick, creating a true government-run system.<sup>2</sup>

This act resembles the one passed a year earlier in Nova Scotia in the wake of the Wallace scandal in that it repealed all previous laws and substituted them with a new, more rigorous construction. The interest rate was pegged at five percent and accounts were to total no more than £50. The most significant change entailed the abolition of the trustee system for thrift institutions. Deputy-treasurers in each county now received deposits directly from the patrons. The only trustee savings bank to retain its status was the large and popular institution in Saint John. The scandals had undermined confidence in the so-called selfless trustees. As in Nova Scotia, all funds were invested with the government and if withdrawals could

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<sup>1</sup>"An Act in addition to and further to extend the provisions of an Act, intituled ...." 10 Victoria Chapter 29, 23 March, 1847.

<sup>2</sup>" An Act relating to Savings Banks," 10 Victoria Chapter 43, April, 1847.

not be met with specie then the cashier (deputy-treasurer) was allowed to issue a draft or warrant on the treasury instead. Since the deputy treasurers received one percent of the deposit business as remuneration and the depositors were paid five percent interest, the government paid a total of six percent on the money borrowed.<sup>3</sup>

In the period before responsible government New Brunswick issues of treasury notes never approached the levels seen in Nova Scotia. In general the currency situation was more competitive and polyglot than Nova Scotia's. Bank notes, especially those of the Bank of New Brunswick circulated readily throughout the province obviating, early on, a pressing need for provincial money. When £10,000 of provincial notes were issued in 1818, their non-interest bearing nature meant they depreciated rapidly and this led to their recall in 1820.<sup>4</sup> With the proliferation of banks in the province the value of banknotes rose from £76,500 to some £315,000 during 1832-1837. Merchants such as Joseph Cunard on the Miramichi, along with the Corporation of Saint John issued small denomination notes. The U.S. Eagle, being overrated in the province, also circulated widely.<sup>5</sup> While the panic of 1837 reduced banknotes circulation, the government never issued any new treasury notes after 1820. Thus the financial dynamics in New Brunswick

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<sup>3</sup>*Ibid.*, The deputy-treasurers empowered to receive deposits were confined to Miramichi (Northumberland County), Richibucto (Kent County), Bathurst (Gloucester County), Dalhousie (Restigouche), Shediac (Westmorland), Saint Andrews (Charlotte County).

<sup>4</sup>McCullough, *Money in Canada*, p.171.

<sup>5</sup>*Ibid.*, pp.172-173.

with regards to government debt, treasury notes and the savings banks differed from those in Nova Scotia. With no government banks before 1847, and no treasury notes after 1820, there was no link between the funding of provincial debentures and savings banks or the honouring of banknotes with treasury notes as in Nova Scotia prior to responsible government.

Thus, the financial maturity of the New Brunswick government at mid-century was less than that of Nova Scotia. Currency manipulation and expertise were less developed due to differences in the structure of the currency markets and financial institutions. However, at the same time the use of state institutions as a capital conduit from outlying regions of the colony had been exercised from early on. It was a refined function for the savings banks, rather than the form, that is the real legacy of the New Brunswick responsible governments. Just as in Nova Scotia, the basic shape of the savings bank institution had been moulded and set over a period of years well before the installation of responsible government. Where the trustee system had proven inadequate the government simply stepped in and ran the banks themselves. While New Brunswick does not exhibit the same enthusiasm for state sponsored economic development found in Nova Scotia, once embarked upon that course it quickly surpassed Nova Scotia in many ways regarding the dexterity and depth of its fiscal strategy, including the role of its savings banks. In large part this was due to the fact that New Brunswick, besides having Partelow, possessed in Samuel Tilley, a leader of great financial skill, while Nova Scotia's Howe, a visionary working in more abstract, idealistic terms, lacked

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the same well-grounded pecuniary wisdom.

In 1852, the government passed a law that allowed the Saint John Savings Bank to increase its debenture portfolio once more, this time doubling it to £100,000.<sup>6</sup> The interest on new loans was reduced to five percent and all the old debentures at six percent were to be called in and renewed at the lower rate. This large increase and reorganization of state loans, instigated by the so-called new-old "compact style" administration that governed during the 1843-1854 period, came about just as the same government decided to undertake jointly with private capitalists construction of the European and North American Railway between Saint John and Shediac. A private company, incorporated and assisted with up to £250,000 in grants, was to build a line linking Saint John with the Intercolonial Railway, which the British insisted must pass to the north and east of the port.<sup>7</sup> While the language of the bill allowing for the savings bank increase does not link the new loans and deficit financing of specific capital projects, the timing and extent of the loan make it obvious what it was for.<sup>8</sup> It suggests again that the sequence of events postulated by Langhout, where the first "transitional" phase of public enterprise, 1849-1856, contained little innovation and much caution concerning fiscal

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<sup>6</sup>"An Act further to extend the provisions of the Bank for Savings at Saint John," Statutes of 1852-53, passed 7 April, 1852.

<sup>7</sup> MacNutt, A History, pp. 335-38. These funds were raised by the Baring Brothers through bonds sold in 1853 and 1854, Langhout, Public Enterprise, pp.97-98.

<sup>8</sup>Langhout states that increases in savings bank deposits, along with the increases in treasury warrant debt were "...sources of floating debt for funds to support public enterprise initiative, Public Enterprise, pp.104-05.



strategies, is not correct.<sup>9</sup> Savings bank deposits converted into debentures provided loan capital to the province. The fact that they were 'long-term' and domestic does not alter the important point that New Brunswick political leaders, even those adverse to responsible government saw expanded savings bank activity as a device to pursue a public policy programme.

In 1853 the savings bank deposits in New Brunswick accounted for 56.1 percent of all government debt.<sup>10</sup> Since this included bonds sold by the Baring Brothers for the European and North American and the Saint Andrews and Quebec lines it is evident that at this point the savings banks were a quantitatively large segment of public debt between 1853 and 1856. This quantitative importance in fact had first arisen years before the sale of bonds and the doubling of the Saint John Savings Bank portfolio to £100,000. Savings bank deposits were also a large segment of the public debt since 1841 when the debenture ceiling at the Saint John Savings Bank had been raised to £20,000.

The joint venture to build the European and North American line had failed by 1855, with the company defaulting on its obligations. The now firmly ensconced Fisher-Tilley administration, returned after its embarrassment over Prohibition, decided to undertake a fully public construction of the line.<sup>11</sup> Public

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<sup>9</sup> Langhout, when recognising Tilley's early promise before 1854, rightly states that: "New Brunswick's politicians had always had a clear notion of the financial mechanics of public enterprise." At the same time though she declines to see savings banks as an important example of the implementation of those notions before 1856. Public Enterprise: An Analysis, p.55.

<sup>10</sup>Langhout, Ibid., p.105.

<sup>11</sup>Langhout, Ibid., pp.35-42; MacNutt, A History, 379-380.

enterprise would be embarked upon with full vigour in New Brunswick. The failure of private enterprise to complete the European and North American and the Saint Andrew and Quebec lines, along with the refusal of Britain to provide loan guarantees for an Intercolonial line that did not hug the northeastern shore of New Brunswick, impelled the government to proceed on her own and raise funds on the London markets through the agency of the Baring Brothers.<sup>12</sup>

In 1856, after negotiations with the Baring Brothers were concluded, the government passed acts designed to raise large amounts of money. One enabling act allowed the government to borrow funds in London through bond sales up to £1,000,000 per year. Another pledged the "faith and credit" of the province to a loan of £90,000.<sup>13</sup> Money from this second loan was to be used to provide "...for payment of demands upon the Savings Banks or, of other provincial liabilities." Ultimately they were used to float general purpose bonds on the local market and generated £54,000 within two years and then after 1858 fluctuated between 3.8 and 6 percent of all debts till 1862.<sup>14</sup>

In 1858, this act was used to directly tie savings banks to the public enterprise programme. Now some £30,000 of general purpose debentures were

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<sup>12</sup>The Saint Andrew and Quebec was first surveyed in the late 1830s and fitfully worked on in the 1840's and early 1850's. It was intended to make Saint Andrews the winter port of Quebec, MacNutt, A History, pp.245, 266, 298-9, 329, 335, 339. See also C.M. Wallace, "Saint John Boosters and the Railroads in Mid-Nineteenth Century," Acadiensis, Vol. 6 No 1, (1976):71-91.

<sup>13</sup>19 Victoria Chapter 16 and "An act relating to Savings Banks and other Provincial Liabilities," 19 Victoria Chapter 20, Statutes of New Brunswick, 1856, respectively. As well a sinking fund was established to pay off debt from the proceeds of land sales opened up by the railway, Langhout, Public Enterprise, p.101.

<sup>14</sup>Langhout, Public Enterprise, p.103.

floated and placed with the Baring Brothers in London. The idea was to provide the government with a quick source of cash to stem a run on the provincial savings banks if the need arose.<sup>15</sup> Tilley and his cabinet realised that the capital embodied in the savings banks, although only a fraction of the total debt load incurred, represented the good "faith and credit" of the province and so was an invaluable bellweather of its fiscal health for investors. By protecting the £67,500 in the bank they protected provincial securities held abroad from depreciation and speculation.

This policy gave rise to 1861 legislation which "expressly reserved" the £30,000 that had been directed to the contingency fund with the Baring Brothers for the payment of monies deposited in the savings banks.<sup>16</sup> Other provisions of the act highlighted the importance of the savings banks as financial levers to government. All deputy-treasurers in the province were enabled to receive deposits at five percent. The treasurer of any bona fide mutual benefit society was empowered to deposit up to £300 in the savings banks system. Finally, the total amount of debentures allowed to be held by the Saint John Savings Bank was upped by £25,000 to the sum of £125,000. The government to ensure the new targets would be met tapped into new sources, such as benevolent societies and the remaining counties not plugged into the savings bank system. The capital realised by these moves was expressly directed to defending the credit and stability of the

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<sup>15</sup>*Ibid.*, p.107. This debt, according to Langhout, was never listed as capital debt and bore no interest.

<sup>16</sup>"An Act relating to Savings Banks," 24 Victoria Chapter 3 Statutes of New Brunswick, 1854-1928, p.13.

institution and thus the province as a whole. New Brunswick's savings banks thus became an integral part of the public enterprise programme. The creative legislative flurry continued during the session of 1862 as the burden of debt servicing fell heavier upon the shoulders of government. The loan of £90,000 which had been used to float domestic debentures and protect the savings deposits was now increased to £125,000.<sup>17</sup>

As in Nova Scotia, the second and third phases of railway building required importations of capital on a scale that quickly dwarfed the savings bank holdings, notwithstanding the increase of 1852. Between 1856 and 1860, what Langhout describes as the "public enterprise" phase, Tilley's government borrowed £882,978 through the sale of New Brunswick bonds on the London market. This accounted for 44.9 percent of all revenues, while for the same period the savings bank system netted only £25,429 or 3.5 percent of revenues. On the capital side, annual increases in indebtedness rose a bit less than 40 percent on average. In 1861 European and North American bonds accounted for 78.5 percent of all debt.<sup>18</sup>

During the third, "pre-confederation", phase, 1861-1867, the current account revenues of New Brunswick showed an annual decline as bond sales stopped with construction and railway revenues failed to materialise. On the reverse side were increasing current account expenditures as principal and interest charges came due.

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<sup>17</sup>"An Act in addition to an Act relating to Savings Banks and other Provincial Liabilities," 25 Victoria Chapter 15 Statutes of New Brunswick, 1854-1928, p.21.

<sup>18</sup>Langhout, Public Enterprise, p.180-181 and p.103. "netted" refers to sums after withdrawals were paid.

Debt servicing comprised 37.6 percent of all public expenditures after 1860.<sup>1</sup> It was this current account crunch arising from long-term capital liabilities that prompted the Conservatives under Tilley to turn to the savings bank system yet again for fiscal support.

In 1864 Tilley utilized the banks this time as a pool of capital to repatriate the bond debt held in London.<sup>20</sup> Deposits were sent to the Baring Brothers and used to buy New Brunswick debentures at par or the current rate. Buying bonds in this way held up the value of bonds and thus any future sales, while whittling away the outstanding debt. This procedure was given sanction by an enactment passed that year.<sup>21</sup> It increased the debenture limit of the Saint John Savings Bank by £50,000 meaning it then stood at £175,000 (\$700,000).

By 1865, the supplementary financing based on savings deposits in turn matured as the £125,000 loan taken out in 1862 came due. New debentures up to £125,000 were prepared to replace the old issue. To entice investors they were offered six instead of the regular five percent. Again the "faith and credit" of the

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<sup>19</sup>Ibid., p.189-90.

<sup>20</sup>Ibid. This idea was first suggested by former Saint John Mayor, L. Donaldson who felt that deposits in 1861 could easily be doubled and then used to pay off the English Debt, p.107-08. Langhout points out that the Canadians had used government money, such as the Clergy Reserves Fund invested in British Consols, to become their own creditors, See Michael J. Piva, "Continuity and Crisis: Francis Hincks and Canadian Economic Policy," CHR LXVI, 2, 1985:185-210.

<sup>21</sup>"An Act relating to the Savings Banks in the City of Saint John," passed 11 April, 1864; 27 Victoria Chapter 13 Statutes of New Brunswick, 1854-1928, p.29. Remittances to London that had already occurred in January were carried out under the authority of 19 Victoria Chapter 14, a railway bill. A ledger dated 1869 and entitled, "Statement of Debentures purchased by Mssrs Baring Bro.& Co on account of Investment of Savings Bank funds out of monies remitted for that purpose," shows that between 15 February, 1864 and 4 February 1865 some £17,700 of bonds were repatriated. RS 623 file 9(a), PANB.

province was pledged to holders of debentures who received second call on the resources of the province, behind the Civil List and other existing liabilities.<sup>22</sup>

Once more, the overall relative increase in foreign debt incurments during each phase of Langhous's tripartite analysis is stark and clear. The financial shoals the government encountered while navigating the turbulence induced by massive loans and interest charges were greater quantitatively than anything the province had seen before. However, the willingness to go into debt to finance capital projects was not exclusive to the era of responsible government. Just as in Nova Scotia, the first surge of debt, that ultimately led to such a reliance on savings banks as supplementary financial levers, was created by "hold-over" conservative regimes before the start of responsible government. Their policy agenda on this front was naturally tame compared to later liberal notions since initial attempts to finance the railways had not yet been proved inadequate. Later liberal designs were larger and more grandiose due to the failure of the earlier undertakings, not from some ideological proclivities. It is quite possible to argue that the exigencies and lure of technology would have driven any government, regardless of their stripe or constitutional construction, to more or less similar actions. In 1990's Tories and New Democrats alike follow the same fiscal path in an effort to achieve stability and overall economic health in the face of financial constraints that tend to sweep ideology aside. While it is debatable whether the conservative administrations would have acted the same as liberals did once the European and North American

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<sup>22</sup>"An Act to provide for the payment of Debentures issued under An Act relating to ....." Passed 8 June, 1865; 28 Victoria Chapter 10, Statutes, p.57.

failed, it is highly probable the result would have been the same. Any administration would have faced the same set of policy alternatives, which in context of mid-nineteenth century notions of improvement and progress, would have tended to lead to the same choices.

The savings banks provide an alternative context for understanding the framework of colonial financial evolution life before 1847. From an institutional standpoint, it is suggested that the New Brunswick's savings banks marched to a two-, rather than a three-step rhythm. As pointed out in the Nova Scotian case, if the analytical time-frame is pushed back before 1847, a different picture, one of steady evolution rather than a steady state equilibrium punctuated by bursts of activity, emerges. The savings banks underwent a continual process of growth especially from 1841 onwards. Although the early growth of New Brunswick's savings banks deposits cannot be tied to a public development program, by 1846 the steady increase of deposits and the effect of the scandals had primed government to take a more active role in their management.

Table One in Chapter Five showed that nominal growth in government liabilities at the Saint John Savings Bank for years 1847-1867 was from £5,707 to £80,399, representing a 1,320 percent increase. The average annual growth in liabilities was 27 percent. Table Two below provides separate and aggregate total deposits of all the savings banks, 1847-1852.<sup>23</sup> Starting in 1849, new banks were

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<sup>23</sup>Source: "Returns from Savings Banks: 1847-1852," Public Accounts, *Journal*, 1854-55. These accounts are compiled from a single, one-time table in the *Journal* which showed deposits and withdrawals from the bank's accounting point of view. Table Two is compiled from the treasurers yearly figures and shows the situation from the governments position. Source: "Treasurer's Accounts:

Table OneN.B. Savings Banks, Summary Accounts, 1847-1852

YEARS/BANKS	DEPOSITS	BALANCES	YEARS/BANKS	DEPOSITS	BALANCES
1847			1848		
St. John	£13,749	36,041	St. John	£11,461	£33,793
St. Andrews	20	20	St. Andrews	212	232
TOTAL	(13,769)	(36,061)	TOTAL	(11,873)	(34,025)
1849			1850		
St. John	13,795	37,899	St. John	13,713	42,624
St. Andrews	405	503	St. Andrews	388	820
Miramichi	165	165	Miramichi	322	487
TOTAL	(14,365)	(38,567)	Shediac	20	20
			TOTAL	(16,433)	(43,951)
1851			1852		
St. John	17,091	49,469	St. John	19,082	55,253
St. Andrews	851	1,175	St. Andrews	1,551	3,032
Miramichi	1,488	1,975	Miramichi	1,088	3,022
Shediac	89	109	Shediac	107	216
TOTAL	(19,519)	(52,728)	TOTAL	(21,828)	(61,523)



**Table Two**  
**N.B. Savings Banks in Account with Treasurer**  
**1853-1867**

BANK	DEPOSITS	BALANCES	DEPOSITS	BALANCES
	1853		1854	
St John	£ NA	£ 66,797	£ 13,901	£ 80,699
Others	NA	8,099	4,981	12,934
TOTALS	NA	74,896	18,882	93,635
	1855		1856	
St John	£ 0	£ 72,400	7,185	69,000
Others	1,632	12,561	6,065	16,535
TOTALS	1,632	84,961	13,250	85,535
	1857		1858	
St John	£ 5,620	£ 72,140	£ 4,185	£ 67,500
Others	5,605	20,800	3,475	20,879
TOTALS	11,225	92,940	7,660	88,379
	1859		1860	
St John	£ 13,083	£ 80,750	£ 4,286	£ 91,500
Others	7,148	26,801	6,112	29,235
TOTALS	20,231	107,551	10,408	120,735
	1861		1862	
St John	£ 10,032	£ 101,532	£ 8,743	£ 107,025
Others	6,071	32,428	4,458	32,410
TOTALS	16,103	133,960	13,201	139,435
	1863		1864	
St John	£ NA	£ 119,998	£ NA	£ 139,875
Others <sup>1</sup>	7,412	37,844	11,489	46,621
TOTALS	7,412	157,842	11,489	186,496
	1865		1866	
St John	£ NA	£ 142,582	£ 7,583	£ 135,963
Others	7,979	49,864	11,027	65,967
TOTALS	7,979	192,446	18,610	201,930
	1867			
St John	£ 4,752	£ 138,369		
Others	11,074	72,424		
TOTALS	15,826	210,793		

added to the system under the provisions of the 1847 Act. Table Three, while similar, is different in that "Deposits" and "Balances" refer, respectively, to money placed in the hands of the treasurer by the bank and on account with the government treasury. By the end of the government era a steady cellular growth of banks had multiplied the government's ability to cover deficit financing needs. This type of cellular growth was a direct outcome of the system first established in 1825 under the original act.<sup>24</sup>

Figure 1 shows a steady increase in government liabilities represented by debentures occurred between 1842 and 1854. As a percentage of the overall debt of the province, savings bank debentures rose from 5.7 percent in 1842 to 47.5 in 1854.<sup>25</sup> The beginnings of a steep rise in savings banks deposits is visible well within the so-called 'transitional' period. The growth in deposits was a secular trend that followed smoothly from a similar pattern in the trustee phase of 1825-1847.

Again, the overall picture garnered from the structure and growth of the savings bank system when viewed over the whole of its existence is one of continual growth and increasing importance. The sea-change, if there was one, was not in the

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<sup>24</sup>In 1853 there were five banks, Saint John, Saint Andrews, Miramichi, Shediac and Richibucto. Additions to the system were as follows: Dalhousie, 1855; Bathurst, 1856; Newcastle, 1857 and Fredericton in 1863.

<sup>25</sup>The categories are to be understood as follows: 'Unpaid Warrants' = all warrants payable on treasury and outstanding that year + any interest; 'Loans' = credit accounts and loans with chartered banks + Fredericton Fire Loan + Burnt District Loan + Railway Debentures + any interest; 'Savings Banks' = all money owed by government to all savings banks (includes interest). For all three years the three debt sources were always at least 70% of actual debt) Sources: "Public Accounts", Journals, 1854-1868.

# Comparison of Public Debt

## New Brunswick 1842-1853

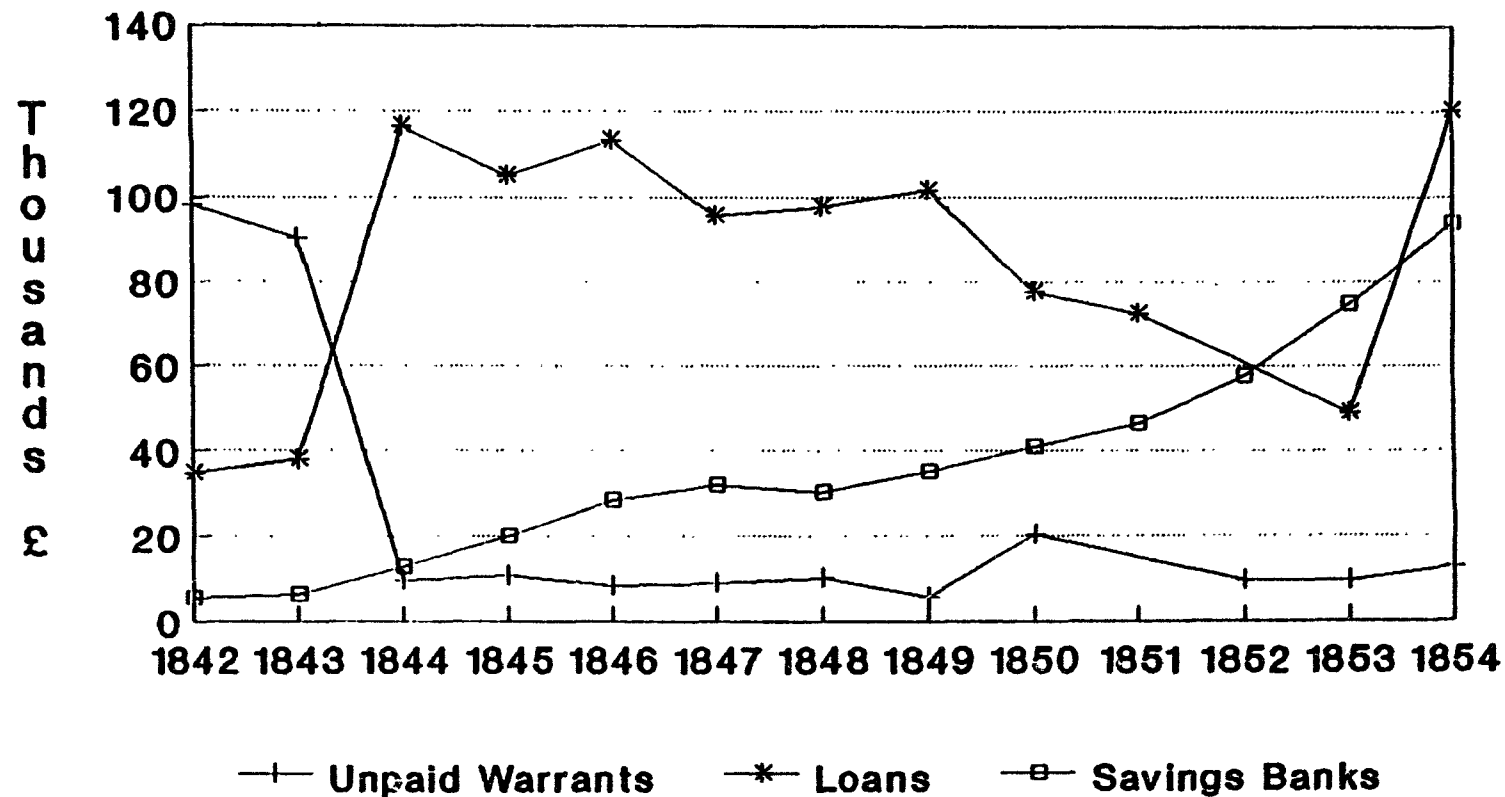


Figure One

constitution and growth of the banks but rather in the other forms of debt which radically increased from 1856 onwards, making the liabilities of the savings banks system appear relatively and increasingly small. What is most interesting for the period just before Confederation, is the qualitative importance that the savings banks assumed and maintained in the plans of the government. Notwithstanding their relative decline as a percentage of the overall debt, the savings banks still accumulated a fair amount of capital. However, the credit and stability that that pool of capital represented became the most important aspect of its existence. The political and economic analysis of the savings banks before Confederation described an evolution from trusteeship to government involvement. Of interest as well are the patrons of the New Brunswick savings banks. Table Three profiles the occupational breakdown of the Saint John Savings Bank during the "responsible" government era<sup>26</sup>. There were fewer white collar and skilled depositors in the 1850's than in the 1830's, while over the same period the number of semi-skilled depositors increased by 3.2 percentage points. The number of children depositors decreased over the period by 9.8 points. Among the predominately male categories only the un-skilled workers increased their participation at the bank, in their case by a modest 2 percentage points.

Servants increased their representation by 6.1 percentage points, as did widows and spinsters. Married women accounted for proportionally fewer depositors but the change was less than 2 percent points. Paradoxically, when one

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<sup>26</sup>Source: Signature Books for St. John Savings Bank 1852-1859, Vol. 1106, RG 3:NAC.

compares the occupational breakdown of Saint John and Halifax over time it appears that they were moving in opposite directions. For instance in Halifax there were more High Status and White Collar depositors in 1836-38 and than in 1859-60 while in Saint John the opposite held. In fact, however, the spreads between the two towns were converging. When comparing Saint John and Halifax, six out the ten categories were observed to have closer percentage ratios in the later period than in the earlier one. One of the four that showed more separation was the "other" category which probably the difficulty inherent in occupational designations. All categories that showed a ten or more percentage point separation in the early period, skilled trade, semi-skilled, servants and minors, were all within less than 5

**Table Three**  
**Classification of Depositors, Saint John, 1852-56**

Group	N = 129	Percent	Change
High Status	0	0	0
White Collar	3	2.3	-4.8
Skilled Trade	24	18.6	-4.9
Semi-skilled	20	15.5	+3.2
Unskilled	21	16.2	+2.0
Servants	12	9.3	+6.1
Children	15	11.6	+9.8
Married Women	12	9.3	-1.7
Widow/Spinster	19	14.7	+10.9
Other	3	2.3	-3.5

points of each other by the 1850's. That Saint John and Halifax were becoming more like each other as they entered a period of similar industrialization and political reformulation is not surprising. A certain degree of homogenization of socio-economic structures between various jurisdictions occurs whenever, and wherever, they encounter modernity.

It has been argued that these government savings banks, both of Nova Scotia and New Brunswick, were products of a long development that had its roots in the moral reform programs of the early nineteenth-century. Although the moral and societal goals of that agenda espoused by British moralists and political economists were seized on by various colonial actors at first, the banks were soon increasingly also viewed in ways unique to the financial environment of young colonies. Long before responsible government, it was hoped that savings banks could be used to finance the development of immature economies. At first the ideal was essentially conservative and jibed neatly with the moral and mercantile notions that predominated. No change in the order of the classes was envisioned but simply an encouragement of private accumulation leading to individual competence and thus community stability. Bankers and merchants served as pillars of probity, trustees exemplifying the virtues of the class system while by extending a helping, uplifting hand to the poor saver. That collateral profits would accrue to them was natural.

Over time residual traditions gave way to the emerging liberal vision of public accumulation leading to state action. Technological innovations such as

canals and then railroads, became the goals of capitalists and politicians and government was needed to carry them through to fruition, either as the backers or principals in the project. The integration of savings banks into this concept highlights the difficulty of putting up clear demarcations such as responsible government and saying here lies state enterprise. Fiscal concerns grew up with the success that the banks enjoyed as valued financial intermediaries for those who could afford to use them. And in the end, as savings were supplanted by chartered banks and other financial intermediaries in the late 1880's, the thrift and moral facets of savings banks underwent a renaissance during the social purity movement of the 1890's and 1900's.

By 1867, the Dominion of Canada was able to assume control of a well-developed government savings bank system, unique in all of British North America. The trustee system that had predominated in New Brunswick had proved itself unworthy, while the government-run bank in Nova Scotia, while proving the efficacy of government ownership, had also served to underline the limits of government action under older systems of accounting and responsibility. With these lessons learned the federal government turned its attention to the savings banks in 1871, once the birthing pangs of the new country subsided and its own development plans began to take shape. That story will be picked up in Chapter Seven.

## **Chapter Seven**

### **The Savings Banks in the Era of Nation Building: 1867-1900**

The British North America Act in 1867 granted the regulation and control of the national finances, including all banking matters, to the federal government. The savings banks of the four founding provinces which had operated in various forms since the early 1820's were now nominally under the control of Ottawa. For the historian tracing the development of these institutions the research focus then necessarily shifts to federal sources and documents. With these tools on hand come issues and events that bring in a new national perspective. However, it is an axiomatic fact of Canadian federalism, notwithstanding the centralized nature of the early version, that the nation is made up of regions. Part of this regional heritage is the savings banks which had a unique and important development in the Maritime colonies. With their subsumption into the federal system the ongoing development of these institutions did not end, but rather became part of the national history. The system bequeathed to the successor state of Canada was not discarded, but rather expanded and elaborated. Savings banks continued to affect the region in ways both negative and positive because federal bureaucrats and politicians decided to maintain them to further their plans. What was lost however, as Joseph Howe had foreseen, was Maritime control over this important part of its capital sector.

This chapter investigates several questions pertaining to the savings banks during the post-confederation era with special attention given to the Maritime



provinces. It explores how the federal government administered and utilized the savings banks that fell under its control. It attempts to quantify the levels of capital pulled from the savings banks, in the Maritimes, and other regions of Canada, and suggest what it was used for. A theoretical framework outlining the probable regional effects, if any, of these activities is provided. Furthermore, the relationship between government and the private chartered banks is investigated as they competed in the increasingly competitive savings deposit business in the new Dominion. How did the agglomeration and centralization of capital in the emerging national markets affect the government plans. Conversely, how did the government's own role affect the flow of capital in the market economy? The contribution of the development and penetration of new forms of technology such as railways and telegraphs towards the implementation of modern forms of bureaucratic control and inspection is also investigated.

While Confederation was a significant milestone of nation-building, the nuts and bolts of constructing the forms of administration and policy that actually defined the new Dominion, took place in the years following the ceremonies and speeches. For several years after 1867, Nova Scotia and New Brunswick in many ways functioned as they had for years. Time and infrastructure were required to install and implement a truly national system of government.<sup>1</sup> This was because the systems of government eventually adopted by Canada, along with the

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<sup>1</sup>The transition process was exacerbated in Nova Scotia by the bitter split between repealers and federalists. An example of an infrastructure squabble that arose because of this was the fight over the terms of release of the new Provincial Post Office building in Halifax to the federal government.

bureaucrats who devised them, came, in the main, from the old province of Canada. It took time for the Canadian template to be copied nation-wide. For example, until the "Canadian" version of a post office could be implemented, Nova Scotia and New Brunswick maintained their own. Until new arrangements were made, the BNA Act provided that all laws in force at the time of union remained effective. Additionally, all provincial civil servants who were discharging duties not assigned exclusively to the provinces became by default officers of Canada.

In financial matters the same held.<sup>2</sup> The provincial Department of Finance of Canada formed the nucleus for the new federal Department and the personnel of the Nova Scotia and New Brunswick Departments provided the staffs for branch offices. The status quo was maintained from 1867 until 1871 when the first bank act was passed and the first comprehensive, national plan of finance instituted. Between 1867 and 1871, although Ottawa controlled the revenues and assumed the risk, the government savings bank systems of New Brunswick and Nova Scotia still operated as they had in the early 1860's. During this period discussions took place inside Parliament concerning the future role of the savings banks, both postal and government. Sir John A. Macdonald thought that it was advantageous that the old savings banks should be taken over by the general government and the post office

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<sup>2</sup> The three revenue-collecting branches of the Province of Canada became full-fledged departments in order to facilitate adequate regional representation. To co-ordinate these departments the Treasury Board was created as well. The two most important bureaucrats involved in deciding financial policy were both from Ontario – John Langton (Auditor-General, Dep. Minister of Finance and Secretary of Treasury Board) 1867-1878, and John M. Courtney (Dep. Minister of Finance and *ex officio* Secretary of Treasury Board), 1878-1900.

branch system instituted as well.<sup>3</sup> Sir Charles Tupper who approved of these schemes, recalled earlier and foreshadowed later events when he reminded the House "...of the great care necessary, ...at least in the Lower Provinces, to secure competent and trustworthy managers of these new institutions."<sup>4</sup> Liberal opposition leader Alexander Mackenzie cut to the quick of the controversy that was to simmer for the next twenty years when he stated, not altogether accurately, that the deposits for which the savings banks were designed were then principally held by the chartered banks and that the proposed measure would occasion continued hostility from them.<sup>5</sup>

Before 1871 innovations involving savings banks occurred in the post office saving bank system, then based mainly in Ontario.<sup>6</sup> Finance Minister John Rose argued in Parliament that his government considered it a moral obligation to promote working class thrift. Thus, 213 postal savings banks, comprising 6,079 depositors holding \$676,383 were established.<sup>7</sup> Two years later the new finance minister, Sir Francis Hincks, outlined the government position on the existing savings banks. Nova Scotia, with its single savings bank, one which he regarded as

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<sup>3</sup>Debates of the House of Commons, 1.1:1867, p.334.

<sup>4</sup>Ibid., p.335

<sup>5</sup>Ibid.

<sup>6</sup> Savings Bank activity in Quebec was mainly undertaken by several large institutions in Montreal and Quebec City. They were the Montreal City and District Savings Bank, and in Quebec City the Provident and Savings Bank and the Caisse d'Economique de Notre Dame de Quebec. In Ontario there were three similar institutions but they were surpassed by the postal savings banks. They were the Northumberland and Durham Savings Bank, Coburg, and the Toronto Savings Bank and the Home District Savings Bank, Toronto.

<sup>7</sup>Debates, 2.1:1869, p.201.

the only true government savings bank, was to remain as it was and become the model for a new system. The Saint John Savings he thought should lose its trustee status and become like Nova Scotia's, while the New Brunswick county branches would function as subsidiaries of the main Saint John bank. The large savings trustee banks in Ontario and Quebec, however, were not to be taken over outright as was Saint John. They were given three options: incorporate and become a 'business' savings bank; merge with a chartered bank; or wind up affairs.<sup>8</sup>

Hincks also touched on the situation regarding Dominion notes. He proposed making the government savings banks issuers of the Dominion note supply. Hincks claimed this would save the \$157,000 that the 'government' bank, the Bank of Montreal, was then paid in compensation for abandoning their notes to the extent that they issued Dominion notes instead. Liberal critic Alexander Galt seized on this proposal as the heart of the matter. He thought that objections might be raised to the government plans to get all the savings banks in their hands. He felt that the whole object was to establish a bank of deposit, as well as issue, since they would need specie to redeem the Dominion notes they issued. Liberal member from Quebec, A.A. Dorion, an anti-confederate, defended the Quebec savings banks as useful institutions that always paid a high rate of interest and which supported charities. He derided Hincks' plans as an Ottawa scheme to get its hands on spare money in the provinces and advised the minister to leave them

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<sup>8</sup>Debates, 4.1:1871, Vol II, p.317.

alone.<sup>9</sup>

In an era before federal-provincial relations became formalised, the savings banks might still be regarded as a provincial concern that pre-dated the creation of the Ottawa department of finance. In Quebec, unlike the Maritimes, the huge trustee-run savings banks were successfully defended from the encroachments of Ottawa with the revamped nationalism that separate province-hood had restored to Quebec. As in so many other areas of its society, Quebec went on to follow a markedly different path in the development of its financial sector.<sup>10</sup>

Legislation passed in 1871 established a national system of finance.<sup>11</sup> The savings bank act called for the appointment of Assistant Receivers-General in Halifax and Saint John. They were to act as the savings bank agents for the institutions in their respective cities, as well as head office managers for the savings banks systems then in place. The act allowed for the establishment of new banks in "any other places in the said Provinces...." In New Brunswick, where the county

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<sup>9</sup>*Ibid.*, Hincks denied he was trying to create a bank of new issue since the total amount of Dominion notes were prescribed already by law. He was merely trying to get circulation equal to the amount they had through the Bank of Montreal. Noting the Liberals were using the term "sub-treasury" in relation to the savings banks he pleaded that they not confuse his scheme with the U.S. sub-treasury banks. pp.320-322.

<sup>10</sup>Ronald Rudin, "Quebec and the Canadian Banking System, 1871-1921," paper presented at the Canadian Historical Association, 1983 and "Banking on Quebec: The French Banks and the Mobilization of French Funds, 1835-1925," *Journal of Canadian Studies*, XX 3 (Fall, 1985):47-61.

<sup>11</sup>"An Act to provide additional facilities for depositing Savings at interest with the security of the Government, and for the issue and redemption of Dominion Notes." Vict. 34 Cap.6. The first bank act was Cap. 5, while an "Act respecting certain Savings Banks in the Provinces of Ontario and Quebec," was Cap.7. Cap. 5 set up what was referred to as the Dominion Government Savings Banks which were run by finance department under Courtney's supervision. They were distinct from the Post Office Savings Banks which were run by the Post-Master General in the Post Office department. However, since their operation and futures were closely intertwined at many levels, it is impossible to discuss the Dominion Government Saving Banks without touching on the Post Office banks

deputy-treasurers (customs collector) already acted as agents, a special clause was inserted to allow them to continue in office. The Saint John Savings Bank, trustee-run since 1825, was reorganised as a government bank, any surpluses or deficiencies to be accounted in the settlement between the Dominion and New Brunswick.<sup>12</sup> Thus, for both provinces, the savings banks were reorganised along familiar lines and primed for expansion.

The act allowed for, but did not specify, the appointment of assistant receivers-general in Toronto, Montreal, in the Province of Manitoba or in any other province which might subsequently be established. Upon such an installation, savings banks could be established, their officers to perform as those serving in the Maritimes. Every assistant receiver-general appointed under the act was to be responsible for the issue and redemption of Dominion notes, his office to be the branch office of the Receiver-General for that purpose. As well some might be empowered to sell Dominion five percent Stock (Debentures) to the public.<sup>13</sup> In this way Ottawa created a vehicle whereby their notes could be circulated and

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<sup>12</sup>Apparently there was confusion in Hincks' mind about the nature of the Saint John Bank. Exactly one year later in 1872 the clause respecting Saint John was amended so that the \$39,560 surplus there would remain in the hands of the trustees to be used for some worthy purpose. Hincks stated that he had been unaware that the Saint John Savings Bank was trustee-run. Since the disposition of surpluses had been left to the trustees in the Ontario and Quebec banks this seemed only fair. Timothy Anglin, MP for Saint John and future speaker of the House, maintained that the surplus should be used for the benefit of the depositors who he claimed were three-quarters to nine-tenths working men and servant maids. He scoffed at the idea that some had mooted in Saint John that the funds be used to erect an art gallery or library and suggested instead that the local hospitals be incorporated so they could receive the money. *Debates*, 4.1:1872, Vol.III, pp.87-89.

<sup>13</sup>The act governing the Post Office Savings Banks in Ontario and Quebec, passed in 1867, was modified by Cap. 6 so that all savings bank money received and Dominion Stock sold, was monitored by the Auditor-General. Under the Bank Act, Ottawa reserved the right to issue small denomination notes of \$1, \$2 and \$5 value, leaving the larger notes of multiples of five to the chartered banks.

redeemed throughout the country while simultaneously accessing domestic savings through the thrift banks and the sale of government debentures. However, a new dilemma had been created since pressure would now percolate up from rural areas of the Maritimes for erection of a savings bank in their locale.

Under the terms of the Savings Bank Act Ottawa began to flex its administrative muscle. By 1872, an assistant receiver-general had been appointed in Winnipeg and a savings bank was duly opened there. In British Columbia, a branch system operated from Victoria by a board of trustees had existed before Confederation with branches located in Nanaimo, Yale, Cariboo and New Westminster. When British Columbia joined Confederation in 1871, arrangements were made to pay off all depositors and then reopen the banks as Dominion government savings banks. This was completed by the end of 1872 and on 1 January, 1873 three "new" banks opened at Victoria, Nanaimo and New Westminster. In 1872 a savings bank opened in connection with the assistant receiver-general's office in Toronto.<sup>14</sup> Rounding out the Dominion Government Savings Bank system was the Provincial Government Savings Bank at Charlottetown, inherited when Prince Edward Island joined Confederation in 1873.<sup>15</sup>

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<sup>14</sup>Thomas D. Tims, "Dominion Government Savings Banks," Vol. XX Canadian Economic Papers, 1884:259-263, pp.260-261.

<sup>15</sup> This bank has only been started in 1864. Its liabilities, assumed by the Dominion government, were about \$250,000. See Douglas Baldwin and Helen M. Gill, "The Savings Bank of P.E.I.: Philanthropy and Self-Interest in the Nineteenth Century," Journal of Canadian Studies, Vol.20 No.4 (Winter,1985-86):115-125. This agency enjoyed a huge, yet unfortunate, increase in deposits when the Bank of P.E.I. folded in 1882. See also Baldwin's "The Growth and Decline of the Charlottetown Banks, 1854-1906," Acadiensis, XV 2 ( Spring 1986):28-52.

The years between 1872 and 1885 were the expansive years of the Dominion government savings banks. The lone Halifax saving bank was joined by 28 others; the nine offices in New Brunswick in 1871 were expanded to 14. In P.E.I., depositors in the western end of the Island welcomed a second provincial branch at Summerside in 1884.<sup>16</sup> Government savings banks, however, expanded only in the Maritimes. British Columbia still had three, Ontario and Manitoba one, in 1885. Out of fifty government savings banks in the Dominion of Canada, forty-five were in the Maritime provinces. Table One is a comparison of various headings from the government savings bank in 1883, two years before the maximum expansion in 1885.<sup>17</sup> It should also be borne in mind that as far as the government savings banks went, their expansion took place only after the Conservatives regained power after the 1878 election. During the Liberal interlude of 1874-78, only the postal savings bank system was enlarged. While the Conservative government was expanding the inherited system throughout the Maritimes, and in the new western provinces, it choose instead to increase the post office savings banks in central Canada, again mostly in Ontario. By 1885 there were some 355 branches servicing accounts amounting to \$15,090,540, based on the deposits of some 73,322 persons.

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<sup>16</sup> Finance minsters were sometimes queried by backbenchers if and when a savings bank agency would be established in their ridings. McKeagney (Con., C.B. Co.) to Hincks, 1871; Davies (Lib., Queens, P.E.I.) to Tilley, 1884; Vail (Lib., Digby) to Tilley, 1884; Stairs (Con., Halifax) to Tilley, 1884. See Debates. They also received petitions backed up by the testimony of local MP's and senators. See cases for Lockeport and Sydney Mines, N.S. RG 55, A4, Treasury Board, Minutes #'s 2039,2031 and Rg 19 Registry Files V3005 File 470, 1883.

<sup>17</sup>Source: Tims, "Dominion Government Savings Banks", p.261. At this point there were 48 banks, 43 of which were in the Maritime region.



**Table One**  
**Dominion Government Savings Banks, 1883**

Prov.	Head Offices				Branch Offices		Total Deposits
	At	Patrons	Balance	No	Patrons	Balance	
N.S.	Hal.	6,134	\$2,463,695	28	10,024	\$3,326,937	\$5,790,632
N.B.	St.J.	6,695	2,053,943	12	5,165	1,842,344	3,896,287
P.E.I.	Char.	3,310	1,159,428	0			1,159,428
Ontario	Tor.	1,618	673,824	0			673,824
Manitoba	Winn.	2,286	585,200	0			585,200
B.C.	Vict.	2,808	1,166,034	2	847	471,465	2,137,499
TOTALS		22,851	8,602,124	42	16,036	5,640,746	14,242,870

The government apportioned considerable resources to run these banks. Both Post Office and Finance departments had rosters of savings bank clerks devoted to the banking business. The time and effort spent totalling, balancing and reconciling accounts was enormous and evokes a routine level of minute detail and back-breaking labour now all but forgotten. By the mid 1880's, the twenty-one strong contingent of savings bank clerks at the Post Office performed the duties of receiving deposit and withdrawal statements from post-masters in the field and entering them into grand ledgers, along with other duties. At the fiscal year's end, June 30, accounts would have to be balanced, paid off and/or reconciled. The clerks and their superiors in Ottawa took a great deal of pride in performing their labours 'quickly' and efficiently. In 1884, John C. Stewart, who was Chief Clerk of the Postal Savings Bank Branch, boasted that his staff had balanced 66,862 open accounts by 3 July. Amazingly, the work was performed after regular hours so the normal routine of business would not be interrupted. By 18 July they had

completed the labour of then extracting from the ledgers the year's balances and transactions in 87,621 accounts, of adding those up and then proofing the year's operations.<sup>18</sup>

In the Finance department of 1877, 18 out of the 42 clerks worked in the Savings Bank branch and would have carried out the same type of labours with even more assiduousness.<sup>19</sup> John M. Courtney, the English-born deputy-minister of Finance who took over from John Langton in 1878, was a no-nonsense task master who ran a tight ship.<sup>20</sup> From the beginning of his tenure his policy regarding offices that became vacant was to first see if they could be abolished or failing that whether the duties attendant to it could be rearranged to achieve cost savings. By 1886-87 total salaries at the Finance department had actually decreased since 1878-79 despite statutory increases. He began with 15 "extra" clerks and by 1887 had only one. By 1887 the 42 total officers had been reduced to 37. All this occurred in a period of steadily increasing work which amounted to a ten-fold increase in Treasury Board cases coming into the department for handling. The savings bank branch of the finance department was run by chief clerk C.J. Anderson. He was

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<sup>18</sup>J.C. Stewart, "The Post Office Savings Bank System of Canada," Canadian Economic Papers, Vol. XIX (Dawson Co.: Montreal, 1884):243-257, pp.256-257.

<sup>19</sup>Canadian Almanac, 1877, P.55.

<sup>20</sup>John Mortimer Courtney was born in Penzance in 1838. He worked for several years at the Bank of Agra in India before coming to Canada in 1869 at the invitation of then finance minister John Rose. He astutely married the daughter of a senior civil servant and began a long, successful bureaucratic career. During his tenure at finance he served on several commissions and retired in 1906. His last important contribution before his death in 1920 was the chairing of the commission struck in 1907 to investigate the civil service act. His 1908 report formed the basis of legislation forming the Civil Service Commission which instigated compulsory competitive exams. See Canadian Who's Who, (Toronto: Musson Book Co, 1910), pp.50-51 and The Dictionary of Canadian Biography Vol. 1, ed. W.S. Wallace, (Toronto: MacMillan, 1945), p.135.

assisted by a staff of seven permanent and one temporary clerk.<sup>21</sup> Obviously the work load in the savings bank branch must have been crushing given the increases in deposits that had occurred since 1877.

Two men, Financial Inspector, Thomas Tims and the Assistant Financial Inspector, George Crookshank, were the bane of any wayward savings bank agent or assistant receiver-general. Their duties consisted chiefly of inspecting the offices of the various assistant receivers-general and the Dominion government savings bank agencies under the control of the Finance department. By 1876 the Intercolonial Railway was completed between Riviere du Loup and Halifax with extensions also tying in to New Glasgow and parts of the Annapolis Valley. Periodically, the inspectors started out on a cross-country inspection tour that undertook personally to visit and inspect the books of each savings bank agent and assistant receiver-general.<sup>22</sup> Efficient and trust-worthy branch banking needed a reliable checking mechanism that encouraged honesty as well as ensuring the whole system operated on similar standards. This would not have been practical until telegraphs, but more importantly railroads, provided the technological means to do so in a reasonable time-frame. Not only did the ICR link, and expose, the Maritimes to markets in

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<sup>21</sup>Memo by Courtney, "Respecting the Finance Department and matters connected therewith," July, 1888, RG 19 Department of Finance, Records of the Deputy Minister, V2804 NAC, pp.12-13. Between 1878-82, open saving bank accounts increased 49% from 22,622 to 33,748. "Preface to Public Accounts," Sessional Papers, 1883.

<sup>22</sup> A report entitled "Dominion Government Savings Banks, Inspected, 1888-89," RG 19 V3057, file 4108, shows that Crookshank performed most of the road work. His earliest inspection was at Barrington N.S. in August 1888 and finished at Bathurst, N.B. in March, 1889. While it is possible this all took one trip since he would have been at least two days at each branch, these inspections may have been completed over two or more excursions.

Central Canada, allowing it access to the national economy, but it also, in this context, connected the Maritimes into the national system of government that was working itself out between 1867 and 1871. Just as goods flowed up and down the lines so too did the tentacles of the Ottawa bureaucracy.

The savings bank systems were not only large, financially important players, they were also innovators of administrative technique. Chartered banks watched the savings banks with a close eye and one high level official claimed that they adopted the accounting techniques developed by the civil servants to efficiently administer the spatially diverse and complex network in their charge.<sup>23</sup> Besides using the new railroads to expand and monitor branches, they also developed a system of mailing circulars to each agent when policies and practices were changed, or immediate discipline needed. This too became standard chartered bank practice when their branch networks demanded new forms of administration and control. When scandals arose over defalcations and misbehaviour or other exigences occurred, inspectors could rely on coded telegraph messages to relay sensitive information back to Courtney for his quick perusal.<sup>24</sup> In short, this was not a sleepy arm of government merely pushing paper year after year, but rather a large operation that played a crucial role in Canadian capital markets.

The men and women who worked as savings bank agents in the Maritimes

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<sup>23</sup>Stewart, "The Post Office Savings Bank System of Canada," p.256.

<sup>24</sup>Coded messages: Crookshank in Sherbrooke, N.S. concerning draining of deposits by nearby gold mines, 26, 31 May, 1888, RG 19 V3035 file 2693 and RG 19 Fitzgerald to Courtney, 31 July, 1895, "Registry Files, 1882-1917," V3108 file 8367.

were a varied lot. Many of them held the posts already under the old provincial administrations. In New Brunswick for instance, the deputy-treasurers (collectors of customs) became federal public servants under the British North America Act and so continued to hold their positions as savings bank agents under the terms of the 1871 Act. The first assistant receiver-general in Saint John was R.W. Crookshank. The savings bank and assistant receiver-general maintained offices in the building built by the old Saint John Trustee Savings Bank in the 1860's. When Crookshank was superannuated in 1892 he was replaced by H.D. McLeod, a cousin of finance minister George E. Foster.<sup>25</sup> In Nova Scotia, where there had been no branch system, party appointees, sometimes the postmaster, acquired the positions. The Halifax head office, located in the Post Office building, was managed by a hold-over from the provincial savings bank, J.R. Wallace. In 1874, he replaced C.R. Ratchford, the first assistant receiver-general, and the two offices were merged as intended by the act.<sup>26</sup>

Savings bank agents were paid on a sliding salary scale that was pegged to the amount of business at their particular agencies. Starting at \$200 per year, it rose,

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<sup>25</sup>Debates, 7.3:1893. When the ARG's office expenditure came up during the annual debates over supply Richard Cartwright skewered Foster with this bit of intelligence. John McMullen, Liberal MP for North Wellington, Ontario, a relentless critic of the government savings banks, joined in and stated that Foster was merely following the footsteps of Leonard Tilley. Earlier he had made it his "duty" to ascertain that at one time Tilley had 57 "relations ...in office a few years ago." pp.112-113.

<sup>26</sup>"A Brief Account of the Inauguration of Government Savings Banks in Canada with special reference to the Province of Nova Scotia," by A.C. Johnston (Halifax, N.S. 30 January, 1932). Typed recollection by an officer of the assistant receiver-general's office, PANS Vertical File #45.

according to volume, to a ceiling of \$400 per year.<sup>27</sup> Since this was not a fortune, and they were not eligible for superannuation, savings bank agents in the Maritimes, and elsewhere, sometimes performed other jobs. For the most part however, these positions were the sole employment of the holder and were prized possessions. The record indicates that, much to the chagrin of Courtney, political patronage and pressure was often brought to bear to ensure the proper candidate was installed. For instance in Antigonish, Nova Scotia, a relative of William A. Henry, former MLA for Antigonish, Father of Confederation and future supreme court justice, Miss M.E. Henry, was appointed Savings Bank agent in 1881.<sup>28</sup> The same year Senator William Miller from Richmond County wrote to Sir Charles Tupper regarding the disposition of a local man, Peter Gruchy, who wanted the savings bank post in Arichat.<sup>29</sup> This affair reveals the power of Tupper regarding savings bank positions and their importance. Although as Minister of Railways and Canals Tupper was not responsible for any savings banks at the time, as Macdonald's Nova Scotia lieutenant all important Nova Scotian patronage was directed through him. Miller relayed Gruchy's credentials to Tupper and then asked that Tupper intercede with Tilley, the finance minister, and Sir Alexander Campbell, the postmaster-

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<sup>27</sup>Order-in-Council dated 27 December, 1872. RG 19 V3005 file 472. In 1883 an agents list was drawn up detailing raises. Out of 24 names six held government appointments such as customs collector. Their raises were based on the increase in deposit business. The other 19 were given raises based on both increases in business and a flat \$50 for not possessing any other employment. "Minute of Treasury Board and attached list," 7 June, 1883, RG 19 V3005 file 472.

<sup>28</sup> RG 19, V3057 file 4018, " Dominion Government Banks Inspected, 1888-89."

<sup>29</sup>"Tupper Papers" MG 26 Series F NAC, #2391, Miller to Tupper, 24 January, 1881.

general.<sup>30</sup> Additionally, Miller wrote to James McDonald, MP for Pictou and Justice Minister, about the project and asked that he read his letter to Sir Charles before Tilley spoke to him about the change.<sup>31</sup> Thus to split an office in far away Arichat and install a new savings bank agent involved the coordinated efforts of three senior cabinet ministers and an influential senator.

Like their predecessors, the government savings banks in the Maritimes were plagued by defalcations. Although these scandals did not have as dire consequences for the depositors, as sometimes was the case in the colonial era, they were serious concerns for the government. By late 1885, thirteen cases of fraud or negligence had been formally investigated.<sup>32</sup> The most serious of these episodes occurred when the savings bank agents were also the postmasters of the town or village where the agency was located. Agents were required to mail statements to their depositors each month. By virtue of being the postmaster, the agent was easily able to withhold cash deposits for his own use and then alter the balance notices. If the depositor's passbooks and monthly records were doctored to show the correct amounts, the agents were often caught when funds the agencies in turn deposited at a chartered bank to the credit of the receiver-general would not agree with the

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<sup>30</sup>Campbell's concurrence was needed since a Mr. Ballam held both the savings bank and postmaster positions in Arichat so the two needed to be split before Gruchy could be accommodated. Miller set Ballam up for the fall by informing Tupper that Ballam, "...calls himself a Conservative, but has no influence whatsoever, and is always ready to vote on the other side when he thinks his offices are in danger."

<sup>31</sup>*Ibid.*, #2391 Miller to McDonald, 24 January, 1881.

<sup>32</sup>RG 19 V2080, Memo by Courtney, 9 November, 1885. One of the cases was in New Westminster, B.C.

ledgers at the savings bank or the head office.

Courtney's vision of the nascent Canadian bureaucracy was that it should be impartial, pragmatic, and in the case of his department, somewhat elite.<sup>33</sup> He had little time for the patronage entanglements of politicians and the faux-paux of faraway minor officials. He wanted the savings banks removed from finance department jurisdiction, claiming that only the lack of infrastructure in the 1870's had stopped their immediate replacement with the post office savings banks. Since the "... outlying Provinces were not then in quick communication with Ottawa...", depositors would have had to wait too long for withdrawals and the savings banks there given greater freedom and allowed to make direct payments to customers. His memorandum advised the treasury board that since "new railway communication has been perfected in all the Provinces that first formed ... the Dominion, and as B.C. will shortly be also in direct communication...", that the post office take over the government savings banks.<sup>34</sup> It was this memorandum to the treasury board which led to the Order-in-Council allowing for the transfer to the post office system of any Dominion Government Saving Bank whose cashier

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<sup>33</sup>In memos and letters Courtney repeatedly stressed that finance should be a "...Department of supervision and not be involved in the details of any part of the Public Service." April, 1887, RG 19 E 2 V2799. "Certain things should always belong of course to the Treasury, such as the administration of the public debt, the disposition of the public funds and the control of the note currency, but beyond these I am of opinion that the less the Treasury has to do with the details the better.... To put it in plain English, the less the Treasury has to do with trade affairs and the less patronage it has, the more able it is able to cope effectually with the expenditure and the patronage exercised by the other Departments." "Memo Respecting the Finance Department and matters connected therewith, July 1888" RG 19 V2804.

<sup>34</sup>Memo from Courtney to Tilley, 9 November, 1885, RG 19 Vol. 3037.



position had become vacant due to retirement or death.<sup>35</sup>

Resistance to such transfers was strong among cabinet ministers and MPs with vested interests in the patronage the system offered. On 18 March, 1887 the original Order-in-Council was modified by a new one stating that transfers would occur only if the public interest was served.<sup>36</sup> In other words excuses could be found to delay or stop a transfer even if the incumbent died or retired. There was a feeling, no doubt, among some ministers that Courtney had sneaked the first one through when Bowell, and not Macdonald, had chaired that cabinet meeting in 1885.<sup>37</sup> Tupper, now minister of finance, had in fact received a memorandum from Courtney just three days before the 18 March. It reminded him of the transfer provisions, provided details on four agencies needing new agents because of defalcations or other causes, and predictably recommended transferring the agencies to the post office.<sup>38</sup> Given the level of criticism building in the House over the past three years around the savings banks, this retreat must have made Courtney cringe.

The two main Liberal finance critics, ex-finance minister Richard Cartwright

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<sup>35</sup>Courtney's memo to the Treasury Board Report was approved as an O-in-C at a cabinet meeting chaired by MacKenzie Bowell 14 November, 1885. Treasury Board RG 55 V2580 file #351.

<sup>36</sup> RG 19 d6(h) "Reports to the Council/Treasury Board", file #712.

<sup>37</sup> Courtney intimated to Tilley shortly after the Order-in-Council had passed that it was significant that it had been approved during the "...interregnum, while Mr. Bowell was acting...." Bowell supported the move because as minister of customs he resented the drains that 'extra' savings bank work put on some customs officers. Memo: Courtney to Tilley, 29 December, 1885. Dep Min of Finance, Outgoing Correspondence. RG 19 E 2 V2795.

<sup>38</sup>RG 19 E 2 "Courtney to Tupper, 15 March, 1887" One gets the impression that Courtney chaffed at Tupper's predilection to involve him and the department in base affairs like patronage, but also, judging by his unusually deferential tone when addressing the 'Cumberland War-Horse', that he feared him as well.

and John McMullen, never lost an opportunity to attack the Tories about the costs of the government savings bank. Their favourite opportunity arose when during the supply debates each year the "charges of management" items came up for renewal.<sup>39</sup> Their attack on government savings banks centred on two main points: the cost of money borrowed from the depositors, then 4 percent, and the cost and trustworthiness of savings bank agents themselves. As well, they pointed to the \$3,000 account ceiling as being too high for banks supposedly engaged in the encouragement of thrift among the working-classes.<sup>40</sup> In the main, their general prescription to remedy the situation was to abolish the finance department-run banks and replace them with the postal system which they felt was more efficient and less expensive because they had lower transaction costs and suffered fewer defalcations. They asked questions, ordered up reports and generally pestered the government with facts and figures designed to embarrass. This constant barrage led to the cabinet decision to begin transferring government banks when the opportunity arose and to reduce the account ceilings.

These debates, besides revealing the government's exposure on the issue, also highlight the importance of the savings banks to the overall fiscal plans of the Conservative administrations.<sup>41</sup> Many times the cut and thrust of debate over the

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<sup>39</sup>The line item was "Charges of Management, Country Savings Banks". This term denoted the government savings banks, mainly in the Maritimes.

<sup>40</sup>The account ceilings, fixed by O-in-C's were as follows: 24 Dec., 1877 - \$10,000; 25 Nov, 1880 - \$3,000; 7 Jul., 1886 - \$1,000; 13 Jun., 1887 \$1,000 @ max of \$300/yr. "Memo Re: Savings Banks, 29 Jan, 1891" RG 19 V2582.

<sup>41</sup>Courtney, who always prefaced his report on the public accounts with a 'state of the finances' addendum mentioned the savings bank without fail every year between 1878 and 1902. See Sessional Papers.

banks would go on all morning or afternoon, encompassing a broad range of interrelated issues. Because the "country" savings banks paid withdrawals with drafts on the assistant receiver-general paid in Dominion notes, the matters of note circulation, Dominion gold reserves and the finance department savings banks were "...not altogether separate..." from each other, and given exhaustive treatment by the opposition.<sup>42</sup> Because the interest rate paid for money borrowed from the savings banks was a bone of contention, it being about two points higher than the government paid in London, the debates in the House also touched frequently on the cost of foreign versus domestic borrowing. Defenders of the savings bank, pointing out that brokers in London were paid huge commissions on Canadian Loans, favoured domiciling the national debt rather than paying interest to foreigners.<sup>43</sup>

By 1886, the government was receiving censure not only from across the

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<sup>42</sup>Cartwright, Debates 5.2:1884, p.827. In 1885 Courtney advised Tilley that "...our necessity for importing gold arose entirely from the transactions of the Savings Banks." This situation arose when withdrawals, all of which were ultimately paid for in Dominion notes, increased the money supply, requiring the government to import gold to maintain its reserves ratio. This is entirely possible since any bank notes, provincial notes or specie deposited were paid out with Dominion Notes meaning the government did not always get one Dominion note deposited for every one paid out. In Nova Scotia alone \$3 million was paid out in withdrawals in 1885 and that would have put enormous pressure on the reserves used to back the nominal circulation of \$15 million in Dominion Notes. Furthermore, as the government bank with the best connections to the New York money market, the Bank of Montreal ultimately ended up with Dominion notes re-deposited into the various chartered banks by the savings bank agents because banks, such as the Merchants Bank of Halifax or the Union Bank, turned any surplus notes they had into brokered call loans to boost profits. With \$4,000,000 in Dominion notes in its vaults the Montreal bank had considerable leverage leading Courtney to warn that "...we are, in consequence at the mercy of the Bank of Montreal as at the present moment..." RG 19 E 2, 26 January, 1885. In some ways, the process described departs from the accepted historiography of Canadian gold transactions which places most emphases, regardless of theoretical proclivities, on the role of the private sector. See Trevor Dick and John Floyd, Canada and the Gold Standard: Balance of Payments Adjustments, 1871-1913, (Cambridge University Press, 1992).

<sup>43</sup>S.R. Hesson (North Perth, Ont.) Ibid., p.829. See also Debates, 5.3:1885, pp.819-821.

floor of the House, but also from influential bankers, newspapers and journals. The criticism from the banks, and their supporters, while couched in terms of free-market rhetoric in fact stemmed from the long-term trends affecting the banking sector. The period between 1873, the onset of a cyclical downturn, and 1896, the start of the Laurier Boom, was in general, a time a depressed prices and interest rates. The traditional activities of the banks, discounting mercantile paper and promissory notes, were returning lower profits than before. In some ways the falling rate of profit was a natural occurrence in an industry that by the 1880's was mature, some of the banks being over sixty years old, and characterised by increasing numbers of competitors. In the life cycle model of capitalism, most sectors enter four stages of development which exhibit varying rates of profit: Initial Innovation (super profits), Competitive Pressure (normal profits), Oligopolies (increasing market power -- higher profits), and Renewed Competition (outside players, substitutes -- lower profits).<sup>44</sup> The banking industry had begun inter-regional branching, which increased competition as regional banks expanded into each other's territories. This would place it in the second phase suggested above, that of competitive pressure and reduced profits.<sup>45</sup> It was in this atmosphere that

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<sup>44</sup>This framework is borrowed from Ann Roel Markusen, Profit Cycles, Oligopoly, and Regional Development, (MIT Press, 1985).p.2.

<sup>45</sup>The banking sector was also experiencing competitive pressure from insurance and trust companies, savings and loans and building societies who were accumulating large sums of capital as well. The merger phase which started in earnest in the late 1890's ushered in the oligopoly phase which by the 1950's was characterised by the total dominance of the so-called Big Five: the Royal, the Bank of Nova Scotia, the CIBC, the Toronto-Dominion and the Bank of Montreal. With the deregulation of the mid 1980's came the fourth phase of increased fragmentation and competition, although it appears the banks have won that round too. The numbers tend to bear out this analysis for the earlier period at least. In 1870, chartered banks held 72.6 % of all Canadian financial assets; by 1890 their share had fallen sharply to

the chartered banks turned their attention to the modern savings deposit business, i.e. of the average wage earner or non-business professional, as a new vehicle for profit-taking and dividend growth maintenance. The problem was that the government, through both of its savings bank systems, was already sopping up close to \$30,000,000 of this activity.

One of the most vociferous critics of the government's intrusion into an activity the banks now suddenly claimed for themselves was Thomas Fyshe, the rather cantankerous Scot who served as Bank of Nova Scotia cashier. Fyshe generally used the arguments that Cartwright and the Liberals had employed in the House. He maintained that the account ceiling at \$3,000 was too high to represent the savings of ordinary working men and women. Furthermore, male household heads often 'split' their accounts between members of the same family, or among different agencies, allowing them to deposit well over the nominal limit.<sup>46</sup> Fyshe also reasoned that the savings bank interest rate forced the general interest rate above market levels, and this, along with the tariff strategy of the government's National Policy, combined to hinder trade and manufacturing in the Maritimes

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49.5%. Over the same years, private non-banks (i.e. industries) had increased their share from 18.9% to 39.5%. Life insurance climbed from 2.4% to 8.6%, while building societies and mortgage loan companies had also risen from 9.6% to 24.5%. Savings Banks, Dominion Government and Post Office together, climbed from 3.2% to 7.9% by 1890, their highest level. See Table 14.5, p.380 in K.Norrie and D.Owram, A History of the Canadian Economy, (Toronto:Harcourt, Brace, Jovanovich, 1991).

<sup>46</sup>W.B. Vail, Liberal member for Digby, claimed that he knew of a party who held \$30,000 in the savings bank – \$10,000 in his name, \$10,000 in his wife's and \$10,000 in the names of his children. Debates, 5.2:1884, p.829.

through the constriction of legitimate banking activities.<sup>47</sup>

In May, 1886, Fyshe wrote a long letter to the Montreal Herald entitled "Government Savings Banks and the Mischief They are Working in the Lower Provinces." The letter provides an acerbic and well thought-out contemporary commentary on the financial and commercial straits that the Maritimes had entered by 1886, as well as the harm government competition allegedly caused to chartered banks in the region. He began by questioning why the Maritimes were saturated with savings banks:

We presume it is from a fatherly regard for the people of the Maritime Provinces (arising no doubt from a consciousness that the National Policy can hardly enrich lumbermen and fishermen, and that therefore this part of the Dominion is entitled to some extra consideration) that the institutions... are managed as we shall see them to be, and they are almost entirely confined to these provinces.<sup>48</sup>

Fyshe sarcastically continued that the federal government, since their National Policy has so impeded industry in the Maritimes, were "...anxious to compensate for it by kindly taking charge of what money there was...", before it fell into the hands of the chartered banks and "...be subjected to the terrible risks of a commerce which they had helped to render unprofitable." The real reason, he stated, for the great number of banks was to obtain money on the easiest terms without appearing to

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<sup>47</sup>The link between the problems of Maritime industry and banking and the government savings banks and Fyshe's role in publicising it was first explicated by James Frost in his M.A. Thesis, "Principles of Interest: The Bank of Nova Scotia and the Industrialization of the Maritimes, 1880-1910," Queen's University, 1978, See Chapter II, *passim*.

<sup>48</sup> 3 May, 1886, Montreal Herald and Daily Commercial Gazette. Hereafter Montreal Herald.

borrow.<sup>49</sup>

Fyshe accused the savings banks of interfering with the normal flow of funds from private sources into the chartered banks and then into the hands of entrepreneurs and industry. He cited figures for the period of 1883-1886 showing that deposits in Maritime chartered banks fell 16.5 percent from just over \$7,000,000 to just under \$6,000,000 while savings deposits in the savings banks increased from around \$10,000,000 to slightly over \$15,000,000, an increase of 41 percent. Using tables and statistics he built a case that the savings banks in the Maritimes were the origin of much of the woes of the banks in the region. When money had been in good demand, he suggested, the banks could outbid the government for savings, but since 1883 interest rates had fallen but the government had not lowered its rate on deposits. The high per capita level of deposits in the Maritime savings banks and the low ratio of deposits to capital in the chartered banks were the result of a draining of capital from the chartered banks into the savings banks -- occurring at a crucial time, and most intensively, in the region that could least afford it.<sup>50</sup>

Fyshe also complained about extra costs incurred by the chartered banks. Savings bank agents, not having proper safe-keeping facilities, deposited funds to the credit of the assistant receiver-general with chartered banks located in their vicinity. Thus the chartered banks bore the banking overhead of storage and transportation

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<sup>49</sup>Ibid., Fyshe claimed that the government had failed to extend the "bounty" of saving bank institution to the Upper provinces because they "dare not,... and they know it." Thus not only were the savings bank a bad technical idea, they were an insult to Maritimers, which according to Fyshe, reflected "very little credit on the intelligence and public spirit of the lower provinces".

<sup>50</sup>Ibid.

of money. Additionally, when the depositor wished to withdraw money he would acquire a cheque drawn on the assistant receiver-general payable anywhere in the Dominion at par. This differed from the practice of chartered bank where their drafts were issued after deducting a commission. In this way Fyshe claimed that the government was forcing the banks to give free travelling credit to savings bank depositors.<sup>51</sup>

Fyshe also complained about the cost of government borrowing through the savings bank system. Under the terms of the saving bank act, all funds received from the banks were to be transferred into the consolidated fund which was classified as part of the unfunded debt of the country. The government then was borrowing covertly in that the interest costs were hidden from the public. Fyshe contended that this was wrong ethically and financially. He related some figures that were to become common reading for finance ministers and Courtney over the next three years. That year Dominion 4 percent stock was quoted at 109 and 5/7 dollars, the going rate or bid for Canadian bonds of that sort. Fyshe computed the cost of borrowing, given those prices, at 3.64 percent. Given that the government gave 4 percent for savings bank money they were paying a *prima facie* premium of .36 percent. If overhead costs were factored in, the government, he alleged, was actually paying 5.4 percent for their money, leaving a real loss of 1.76 percent to the

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<sup>51</sup>*Ibid.* Fyshe, who insisted on charging a commission for cashing government cheques, carried on a lively debate with Courtney over this matter during the spring of 1886. By November Courtney was driven to admonish Fyshe: "For goodness sake stop these petty annoyances, your Bank Agencies are conjuring more trouble than occur from all other Banks we have anything to do with." RG 19 E 2 Dep Minister Outgoing Correspondence, 5 November, 1886. See also 23 July, 1 June, and 25 May.



taxpayer on borrowed money. In dollar terms this was \$336,717 per annum on the \$19,000,000 on balance in all Dominion Government Savings banks in Canada in 1885.<sup>52</sup>

By late June the government decided to respond to the "numerous complaints" regarding the supposedly unfair competition posed by the government savings banks. Courtney drafted memoranda for the finance minister Foster, recommending that the deposit ceiling be reduced from \$3,000 to \$1,000 in any one year.<sup>53</sup> Apparently this was not enough to mollify the critics since, in the spring of 1887, both Fyshe and D.R. Wilkie, General Manager of the Imperial Bank of Canada, communicated letters to the new finance minister, Sir Charles Tupper, recently returned from his stint in London as Canadian High Commissioner. Fyshe's letter, a long and able memorandum, set forth the criticisms he had levelled a year earlier, but in even greater detail and depth. He cited long passages from John Stuart Mill and Adam Smith, and provided statistics and examples from Scotland, Australia and England to underscore both the theoretical and technical soundness of his view. He wrote that "...as far as the banks are concerned, the competition with them of the Government for deposits, at an excessive rate of interest has very much to do with their conspicuous lack of prosperity." Citing the demise of seventeen Maritime banks he claimed that besides the interest rate spread, it was impossible to compete with the government since each "...additional bank

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<sup>52</sup>Ibid.

<sup>53</sup>Memos, 25 June and 3 July, 1886, RG 19 V3030, file 2249. It was upon these memos that the O-in-C of 7 July was based.

failure heightens the contrast of relative scarcity and hastens the flow of deposit to the government coffers and out of the channels of productive industry." He called for the abolition of the government savings banks and their substitution with post office savings banks whose deposits would be fixed at \$300 per year and pay 3 percent.<sup>54</sup>

Wilkie's brief concentrated on the interest rate effects of the post office savings banks. He alluded to a long conversation he had had with Sir John A. before the election in early 1887 on the subject and wanted it taken up again. Wilkie suggested the real cost of government borrowing through the post office savings bank was 4.1 percent. He compared this to the cost of Dominion 3.5 percent bonds which were being quoted at par in London that year and the "...great bulk of interest bearing deposits in Canadian Chartered Banks (which) do not bear a higher rate of interest than 3% ...." Since the federal government could borrow on the best terms available, he questioned the feasibility of the present situation. Reducing the interest rate to 3 percent would equalize competition and would save the government some \$400,000 per annum, enough to cover the interest charges on \$10,000,000 of public debt.<sup>55</sup>

Wilkie's comments then turned to the relationship between interest rates and overall well-being of the economy, but particularly the manufacturing sector.

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<sup>54</sup>Fyshe to Tupper, 20 April, 1887, RG 19, "Registry Files", V3037 file 2893.

<sup>55</sup>Wilkie to Tupper, 13 May, 1887. RG 19 "Registry Files, 1882-1917," V3036 file 2848. It was only natural that Wilkie would focus on the Postal savings banks since they were the competition in Ontario, there being only the one government savings bank in Toronto at the assistant receiver-general's office.

Wilkie stated that the cost of money in the Canada was 2 percent higher than in the United States or England and that this "severely handicapped our own people in their competition for the control of their own and development of new markets." Listing a number of manufacturing concerns, such as pianos, boilers and agricultural implements, whose business relied on long lines of discount to relatively small firms, he asserted that interest rate levels were crucial to their survival. "I consider this difference in the interest charge equal to a reduction in the protection which those classes of manufacturers obtain from the tariff of at least 8%. What I mean is that a 25% tariff supposed to afford a manufacturer that degree of protection is actually protection only to the extent of 17% and I am prepared to bring proof to that effect if called upon to do so." Wilkie implored Tupper to lower the rate of interest as soon as possible and pointed out that this would be painless since the opposition Globe and Richard Cartwright had already expressed approval of such a scheme.<sup>56</sup>

Fyshe's memorandum, while suffering from hyperbole, does illustrates the tension of those years in the Maritimes when the early promise of land-based industry started to fade and the reality of Confederation came into focus. Partisan as he was in his position, Fyshe was also an astute banker who knew the Maritime business scene inside and out. For him Maritime decline was in no way linked to a failure of entrepreneurship or paucity of resources but was a result of poor markets exacerbated by structural impediments occasioned by the federal union added to the

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<sup>56</sup>Ibid., emphasis his.

decline of shipbuilding and the West Indies trade. Fyshe did not blame government or its savings banks entirely and stated so forthrightly. He did say, however, that in such dire circumstances the last thing that was needed was not to allow the Maritimes " ...to get the benefits of its own accumulations of capital – an advantage denied to no civilized country in the world." <sup>57</sup>

On a national level, Fyshe and Wilkie's analysis of the impact of the savings bank interest rate on overall market rates contained both some truth and some self-promotion. It is not clear whether the government was actually driving the price of money above "natural market" rates by their price setting, or if their activity was merely causing the chartered banks to pay more than they wanted to on their own. The latter scenario is the more likely. Some commentators claimed that the government could have ceased setting a rate and invested deposits in the market and still offered a four percent net rate to depositors just as trustee savings banks did in the United States. Thus the market itself might support the interest rate paid by the government. Yet, after two consecutive rate drops by 1898, bankers were still complaining that the three percent interest then offered by government savings banks was injurious because it directly raised the rates of bank discounts.<sup>58</sup>

In so far as Fyshe's analysis of Maritime economics is accurate, it provides important evidence of not only the perception but of the reality, at least as far as the banking sector goes. The savings bank system run by the government

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<sup>57</sup>Fyshe to Tupper.

<sup>58</sup> See James Henry Hamilton, Savings and Savings Institutions, (New York: MacMillan, 1902), pp.409-420.

exacerbated a situation for Maritime banks created by the first bank act and subsequent amendments which favoured large, branch banking systems.<sup>59</sup> While most banks had lobbied Rose in 1869 not to take away their right to issue notes, leaving the Bank of Montreal omnipotent, few small Maritime banks favoured the form that legislation subsequently took, which forced them to subscribe relatively high levels of start-up capital and reduced their circulation to that subscribed amount when it used to be a multiple of three. While the Bank of Nova Scotia eventually prospered within the new national branch systems installed in Canada, at the time Fyshe could not have divined that unless supernaturally endowed. In reality, the plight of other banks during late 1880's was prompting him to worry the same fate might eventually befall the Bank of Nova Scotia.

Fyshe, however, did ignore some other important facts that may have detracted from his arguments if he had deigned to include them in his letters. The savings bank system as it existed had a great number of backers from within the region itself. Politicians and the local patron-client networks had a vested interest in keeping the system growing, or at least intact. They certainly felt no compunction

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<sup>59</sup>Sir John Rose, the second finance minister, was driven from office after his initial plans in 1869 to allow American style unit banking were squashed by the powerful banking lobby which later coalesced into the Canadian Banking Association. Sir Francis Hincks' Bank Act, drafted in 1870, was created with the direct input, for the first time, of bankers whose consulted at the finance ministry. One of their central aims was to install high minimum ceilings requirements for subscribed capital for existing and new banks. Originally Hincks set it at \$1,000,000, but criticism from Galt, who felt branch banks often fled the countryside when money contracted, and the from the Maritimes, where "...local banking was in more general favour and better established than in Ontario and Quebec...", induced him to reduce it to \$500,000. In the act passed in 1870 (Vict 33 cap 2) \$200,000 *bona fide* of the \$500,000 was actually required to start, the other \$300,000 to be paid later. With the amendments of the act in 1871 (Vict 34 Cap 5) the requirement loosened somewhat in that only \$100,000 *bona fide* paid up was required in the first year and another \$100,000 within two. This reduction however was soon reversed. See R.M. Breckenridge, The Canadian Banking System, 1817-1890, (Toronto, 1894), pp.191-200.

about falling bank revenues or constricted flows of funds. That they did not serve to reinforce the fact that elites from within the region can be as self-serving and short-sighted as those outside. More importantly, as outlined above, the government savings bank system, while expanded greatly since 1876, was unique to the Maritimes before Confederation and that is the real reason why there were so few elsewhere. Where they did exist previous to 1867, as in British Columbia, the government followed a similar strategy. For Fyshe to complain that there were none in Ontario or Quebec was slightly disingenuous. True, there was only one government savings bank in Ontario, but by 1887 the post office savings banks, based almost exclusively in that province, held balances of almost \$19,500,000. That same year the government took in from those banks slightly over \$10,700,000 in receipts.<sup>60</sup> Rural banks in Ontario suffered just as much from the competition squeeze between the bigger urban banks and the government. The crux of the capital drain lay in the relative scale of burden imposed on one region versus another. In Ontario per capita post office deposits amounted to \$9.28 while in the Maritimes average per capita government bank deposits were \$19.73.<sup>61</sup>

That savings banks were invoked as primary causes of regional decline, national economic malaise and government waste by prominent bankers and politicians with such frequency and force establishes that they were important and controversial institutions. The question that does remain is this. With such

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<sup>60</sup>Public Accounts for 1886-87 and The Canada Statistical Abstract and Record, 1888.

<sup>61</sup>See Tables 1 and 2 in appendix.

vehement opposition outside of government, as well as detractors within the cabinet and the bureaucracy, why did the government insist in maintaining a high interest rate and deposit ceiling policy for the government savings banks and the post office savings throughout the 1880's? The answer lies somewhere between the patronage needs of politicians and the capital needs of a government trying desperately to finance the completion the its "National Dream" -- the Canadian Pacific Railway. The problem for the minister and deputy-minister of finance during this period was where would the government find these funds?

To answer this question a good starting place is Courtney's advise to Tupper in reply to the memoranda submitted by Fyshe and Wilkie. He told Tupper:

I have always considered that the Lower Province Banks have to some extent suffered from the competition of the Government, but as during the time of the construction of the CPR, the Government had to find money, however inconvenient it may have been to the Banks, I felt that consideration for these institutions had to be discarded and until after the strain was over nothing could be done.<sup>62</sup>

Courtney followed this blunt admission that the government had raided on the capital markets of the Maritimes with another that, even though they had reduced the deposit ceiling in 1886, their agencies attracted depositors who would have otherwise banked at a chartered facility and that if this was "...properly understood by the people, (it) would raise a cry and embarrass the Government"<sup>63</sup>

Pressure upon the government to secure funds had started to reach critical levels in 1884-85. By late 1885 Courtney informed the new finance minister,

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<sup>62</sup>Courtney to Tupper, RG 19 "Registry Files, 1880-1910," V3036 file 2893.

<sup>63</sup>Ibid.

Archibald W. McLelan, that maturing loans, gold shipments from the Baring Brothers and Glyn Mills Currie & Co., obligations due on Canadian Pacific and the London & Westminster railways vehicles, together with coin imports, would require the government to borrow almost £5 million stg or \$20 million.<sup>64</sup> The fiscal pressure peaked in the next year, 1885-86, when the CPR debt was listed in the current account at \$31,627,524, the highest level ever attained.<sup>65</sup> It was in this context that Courtney had advised Tupper in early 1887 that the savings banks had best be left alone. Indeed he reinforced this necessity with another memorandum in June, 1887, writing that for "...reasons unnecessary to specify here it is not at present practicable to reduce the rate of interest...." He reiterated that a system where persons were depositing \$1,000 at one time "...could hardly be defended..." but it had to be accepted since "...exceptional circumstances needed exceptional measures and while the Government had large public expenditures in hand it was not desirable to look too closely into the means of providing funds."<sup>66</sup>

Although the debt wave crested in 1885-86, the undertow induced by the swell threatened to pull the government under for several years thereafter. Fearing that the impending reduction in the savings bank interest rate from 4 to 3.5 percent would dry up saving deposits for the coming year and thus curtail his ability to meet interest payments, Courtney told Tupper that they owed £2 million in

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<sup>64</sup>Courtney to Tilley, 29 December, 1885, RG 19 E 2 V2795.

<sup>65</sup>Public Accounts 1886, "Receipts and Expenditures: Loan Debt of Dominion of Canada".

<sup>66</sup>Courtney to Tupper, 7 June, 1887, RG 19, V3037. Courtney also noted that he received a note from the Banker's section of the Toronto Board of Trade concerning government competition.



London, but that with the savings bank situation coupled with a projected deficit in customs revenues it "...is not likely that they shall have any spare funds to remit to England." To cover the shortfall he recommended floating another loan.<sup>67</sup> By the spring of 1889 the interest rate still had not been reduced but a fresh impetus appeared which finally resulted in action. An editorial appeared on 25 June 1889 in the Montreal Gazette which again castigated the government for paying such a high rate of interest. It reported comments made by E.B. Walker, General Manager of the Bank of Commerce, in his address to the annual shareholders meeting. Walker's speech contained all the usual bankerly wisdom concerning the savings banks -- they were an expensive way to borrow money which catered to people not entitled to their benefits. Since Canadian bonds floated in London were starting to appreciate in value it seemed to make more sense to borrow the money there instead of at home at 4 percent. Courtney, a close keeper of the business pulse, clipped the article and drafted a rough memo the next day that followed Walker's speech very closely. By 29 June he had submitted a memorandum to Foster that reads almost like a transcript of the Gazette reports except that he had substituted exact figures where Walker had used round numbers.<sup>68</sup> The continued pressure

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<sup>67</sup>Courtney to Tupper, 19 May, 1888, RG 19 V2803 file 694. After the flurry of letters received in 1887, the Government had passed an act allowing the reduction of interest to 3.5% but nothing had been carried out. Courtney, even given the continuing financial stringency was confident of floating loans in London and stuck to his guns in recommending strongly that an O-in-C be passed reducing the interest starting 1 October, 1888. Courtney to Foster, 7, 9 June, 1888, RG 19 "Registry Files" V3048 file 3623

<sup>68</sup>Clipping, and memo dated 29 June, 1889 in RG 19 V2582. Rough draft in V3058. This was an ingenious ploy by Courtney to nudge Foster towards the correct decision -- reducing the interest rate. Given the close correspondence between the article and the memorandum it is also possible that Courtney himself had a hand in the editorial piece. Courtney had made a close study of interest rates

worked and the interest rate on deposits in both government and post office savings bank was reduced to 3.5 percent by an Order-in-Council dated 5 July, 1889.

A series of figures was prepared to illustrate graphically the growth and development of the savings banks in Canada. Figure One is a yearly graph showing the current account receipts from funded loans, savings banks, Dominion notes and temporary loans between 1868-1900.<sup>69</sup> It details the amount of money the government actually withdrew, for whatever purposes, from the savings banks, both government and postal. It shows the increase in savings bank funds receipts that occurred each year between Confederation and 1886. By 1886 the government had tapped \$49,472,992 from its savings banks for its discretionary use. Both the savings bank receipts and the loan receipts reached their peaks between 1884-1886, at the height of the CPR induced stress, and then declined together. Figure Two explores the same categories on a capital account basis between 1867-1900.<sup>70</sup> It demonstrates

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across the country before all this transpired. See "Memo re rates of interest payable on deposits," 28 May, 1889 RG 19 V3058.

<sup>69</sup>Source: Public Accounts, 1868-1901. Figures compiled from "Statement of the Receipts and Payments of Canada from all sources for year ended 30 June, 1868-1900". Interestingly, these accounts do not show the savings bank receipts under the Consolidated Fund heading as suggested by Fyshe and later historians such as E.P. Neufeld (*Money and Banking in Canada*, p.161). Although the Act called for their placement under that heading they never were, instead being placed under "Loans" as receipts and "Redemption" as expenditure. Only the salaries of certain savings bank agents appeared in the Consolidated Revenue figures on the expenditure side under the heading "Charges of Management" referred to earlier.

<sup>70</sup>Source: *Sessional Papers, 1902*. "Table III:Summary of the Liabilities of the Dominion of Canada from July 1, 1867 to June 30, 1901." pp.22-23.

# Loan Debt of Canada

## Current Account: 1868-1900

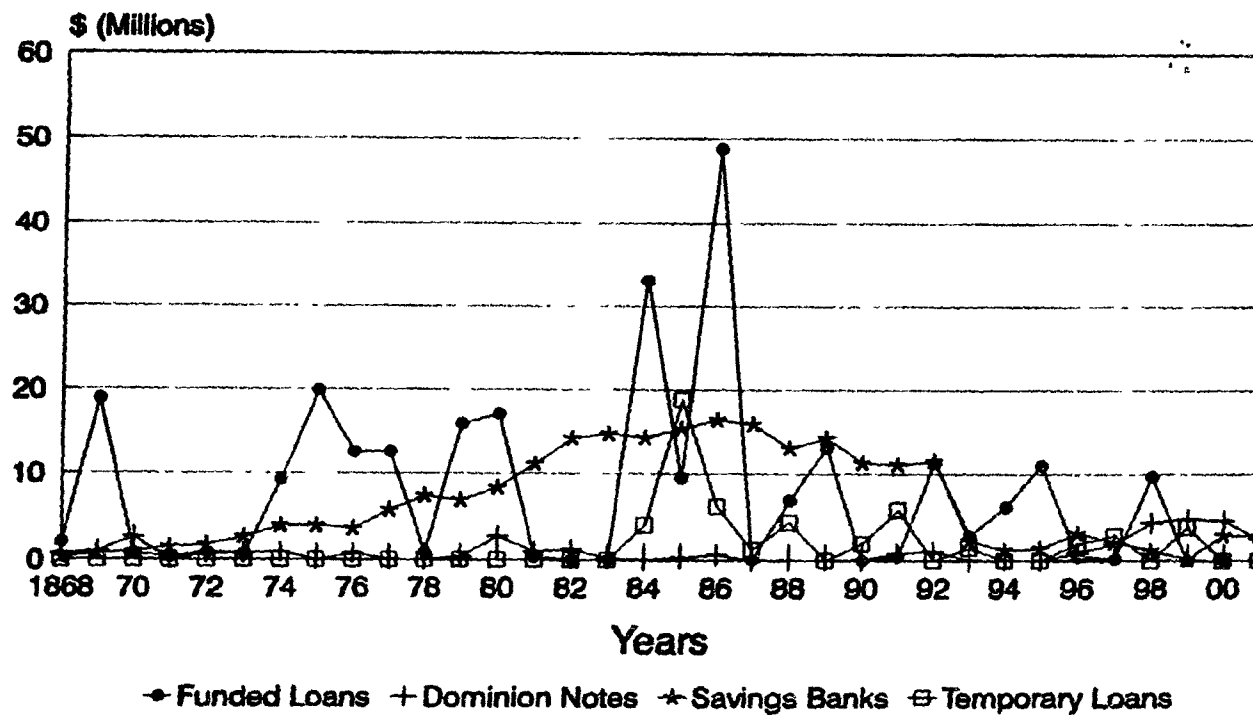


Figure One

# Loan Debt of Canada Capital Account, 1867-1900

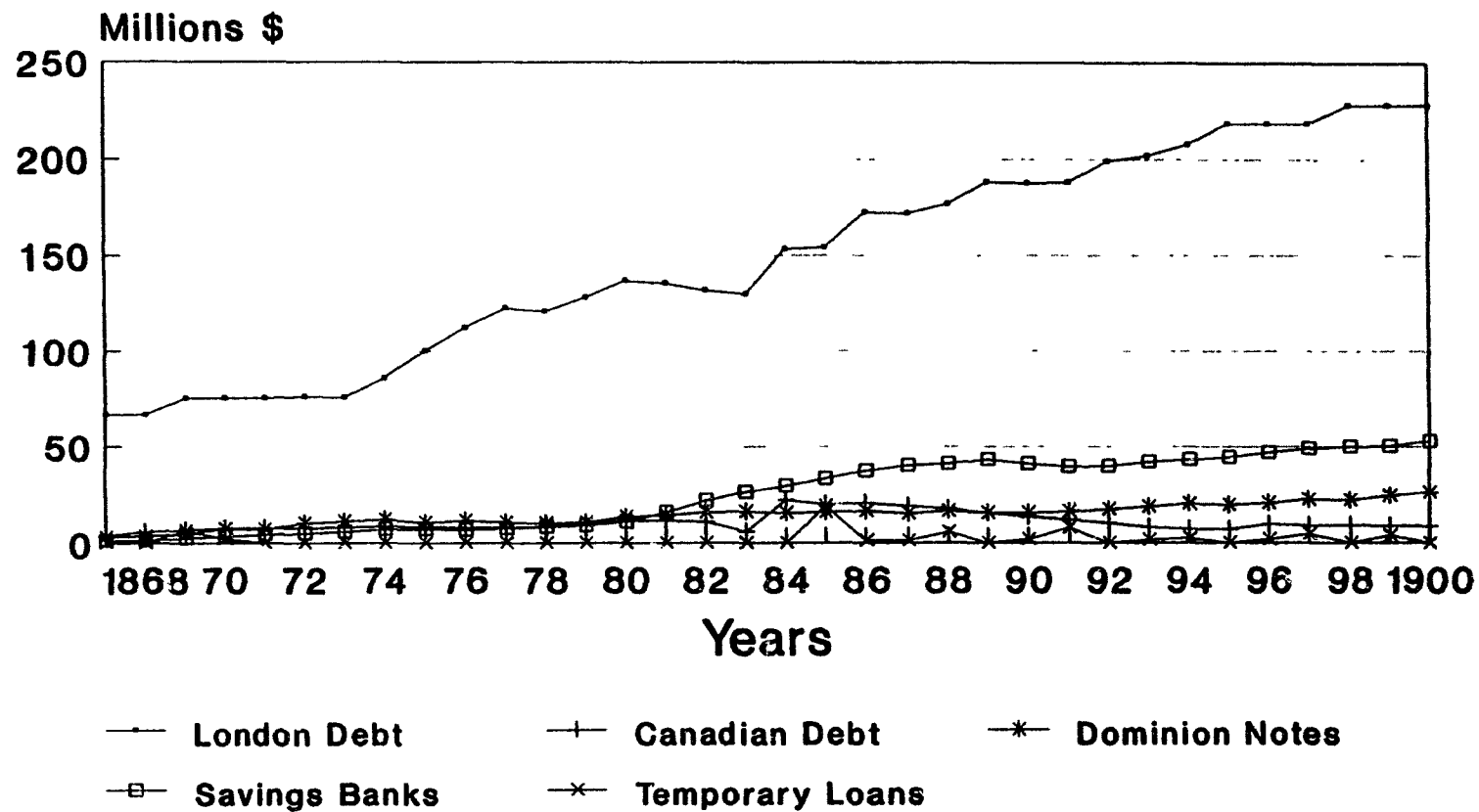


Figure Two

# Maritime Savings Banks Comparison for 1873-1892

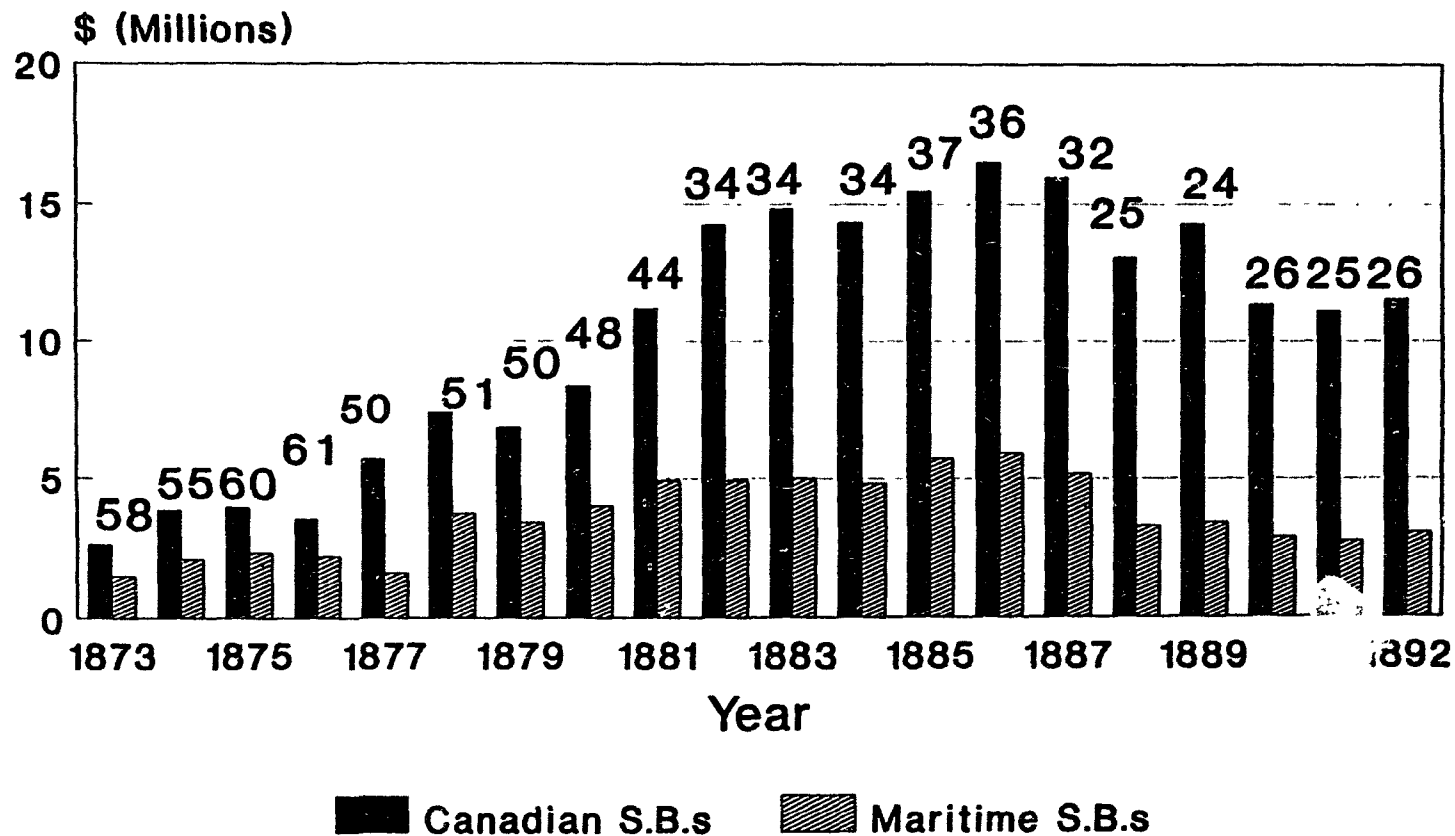


Figure Three

the dominating importance of foreign sources of capital in paying for infrastructure development in Canada. As well it underscores the importance of the savings banks, which by 1882 were the largest category of domestic debt of the federal government.

Figure Three quantifies the capital drain experienced in the Maritimes relative to the rest of Canada.<sup>71</sup> Between 1873-79, Maritime savings banks represented over 50 percent of all savings bank receipts. Between 1880-87 the average was 37 percent and between 1888-92, 25 percent. Generally, until 1887, their share of gross receipts never fell below 30 percent and for the whole period was always above 25 percent. The federal government, during this period, siphoned off \$73 million in gross receipts from the Maritime economy, which, if the evidence is correct, was directed to projects with little or no direct benefit for the region itself.<sup>72</sup>

While the promoters of Canada's "National Dream" would have contended that the CPR was a project that facilitated the interest of all Canadians, including Maritimers, it is far from certain that this was actually the case. The extension of Canadian political and economic dominance into the western hinterlands had always

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<sup>71</sup>Source: Public Accounts, 1872-73 to 1891-92. A provincial breakdown allowing for this comparison was available for these years only. "Canadian Savings Banks" refers to all savings banks, postal and government in Canada; "Maritime Savings Banks" refers to the government savings banks in the Maritimes. Numbers above columns give the percent of total savings bank receipts represented by Maritime banks.

<sup>72</sup>In 1894 Richard Cartwright, in referring to the savings bank borrowings, stated: "It has been used for a great variety of purposes, including the putting down of the North-West Rebellion, the construction of the Tay canal and other assets which are not particularly productive assets." Debates, 7.4:1894, p.3192.

been a "Canadian" vision. Indeed, the commitment to such a scheme had been one of the conditions demanded by Canada West reformers like George Brown in return for backing the Confederation plans of Sir John A. Macdonald and George E. Cartier. While Tupper's and Tilley's vision of a nation from sea to sea was a grand, even noble one, there is nothing to suggest that it was actually in the best interests of their constituents. As Morris Altman has argued, relatively backward regions may indeed benefit from large investment projects like railways. However, for there to be a favourable development of forward and backward linkages the region has to be at the heart of the project, and, "...be capable of responding to the incentives generated by the investment." There is little evidence to support the contention that this was the case for the CPR and the Maritime provinces.<sup>73</sup>

It is true that the region did benefit from the construction of the Intercolonial Railway, but that particular project was funded and completed before the major use of savings bank capital by the federal government occurred. Echoing Altman's proviso, D. Hickey has argued that even that project failed to generate massive spin-offs for the Maritime town at its centre, Moncton. His study found that many local businesses were often unable to take advantage of the opportunities it offered, meaning that contracts often leaked out of the region or spin-offs did not materialize. Other projects, later in the century, such as the Chignecto Marine Transport Railway which received federal backing were of dubious long-term value

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<sup>73</sup>Morris Altman, "Railways as an Engine of Economic Growth? Who Benefited from the Canadian Railway Boom, 1870-1910?", *Histoire Sociale*, Vol. XXI No 42 (November, 1988):269-281, p.280.

and possibly even detrimental to the region.<sup>74</sup> Furthermore, for those projects there is no evidence of any sort linking the savings bank directly to their development as in the case of the CPR.

With the completion of the CPR by 1886 the stage was seemingly set for the savings banks to quietly fade away. This scenario did play itself out to certain extent in that the deposit ceiling was reduced to a total of \$1,000, with no more than \$300 in any one year, in June, 1887. As well, as noted above, the interest rate was reduced to 3.5 from 4 percent in July, 1889. As predicted by many, withdrawals started to overtake deposits after the reduction occurred. In 1890, 1891, 1892 large loans were required to cover withdrawals from the savings banks as well as debt redemption elsewhere.<sup>75</sup> Transfers from the Dominion Government Savings Bank system to the post office system in the Maritime provinces started to occur with greater frequency as well. By the end of 1889, the Digby, Windsor, Baddeck, Hillsboro, Moncton, Quaco and New Westminster savings banks had been converted into post office units and by the turn of the century another 20 would follow.<sup>76</sup> However, Courtney noted, with some surprise in 1891, that the total number of accounts in all savings banks held steady at 169,618. By 1894 cash

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<sup>74</sup>C.R. McKay, "Investors, Government and the CMTR: A Study of Entrepreneurial Failure," *Acadiensis*, IX 1 (Autumn 1978):71-94. For an analysis of the impacts of the ICR see also Daniel Hickey's "Moncton, 1871-1913: Le commerce et l'industrie dans un carrefour ferroviaire," in his *Moncton 1871-1929: Changements Socio-economique dans une ville ferroviaire*, (Moncton, 1990):41-62.

<sup>75</sup>Preface to Public Accounts: 1891, 1892, 1893.

<sup>76</sup> Volume entitled "Canadian Government Savings Banks, 1906-1910" an eclectic mix of documents found in RG 19 V3431. Data from: "Statement showing Balances at Transfer of Government Savings Banks, and Balance, 1906".



receipts again exceeded withdrawals by \$954,306 and these funds were promptly put toward debt redemption, public works and railway subsidies.<sup>77</sup> The savings banks, it seemed, were not dead yet. Regardless of the form they took, in the Maritimes and elsewhere, depositors were still enamoured with their security and profitable interest rates. Table One demonstrates this point in that it shows that the capital account balance of both types of savings banks rose steadily until the end of the century. In fact in 1900 and 1901 the balance grew over \$1.3 million each year and in 1901 was at the highest total ever -- \$56,048,957.<sup>78</sup>

Government had become accustomed to supplying its debt servicing needs with savings bank proceeds and, despite the criticism, was having a hard time weaning itself. When the state of the savings banks balances after 1890 became worrisome, Courtney, in an effort to explain it, reversed his earlier position. He told Foster that the great amount of funds in the savings banks between 1879-85 was a result of the capital brought into the country to finance the CPR finding its way to the banks through the "...large employment given to labour in consequence." This was largely fantasy since almost half of the money invested between 1879-85 came from the Maritimes. More to the point, he had been saying since 1885 that deposits were used to "lean" or clear the London stock market of Canadian instruments slated for the CPR, not the other way around. More accurately he noted that the recession of 1890 had increased withdrawals from the savings banks

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<sup>77</sup>Preface to Public Accounts of 1894.

<sup>78</sup>*Ibid.*, 1902.

and that, along with decreased customs had squeezed government revenues.<sup>79</sup>

Throughout the 1890's the opposition Liberals continued to pester the government over the savings banks. Since it was clear that the government was still relying heavily on them to repatriate its debt, criticisms of the high interest rate, the slow rate of transfer, continuing personnel problems and subversion of their *raison d'être* were extremely effective. In 1894, debates about the savings banks, initially centred on the interest rate, degenerated into long harangues about the plight of manufacturers and the folly of the National Policy. In defending the banks government members engaged in critiques of the chartered banking system that soon became personal attacks on Liberals with banking backgrounds.<sup>80</sup> All in all, the savings banks remained an integral and important part of all government's fiscal policy. When the Liberals took power in 1896, they reduced the interest rate to 3 percent, but, they too used savings bank income to service the national debt. In 1903, when the Bank of Nova Scotia threatened to raise its interest rate on demand deposits to 4 percent Liberal finance minister W.S. Fielding sent letters to general manager H.C. McLeod threatening to do the same at the government savings banks in order to defend their deposits.<sup>81</sup>

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<sup>79</sup>Courtney to Foster "Memo re Savings Banks" 29 January, 1891, RG 19 V2582. Courtney offered three options to Foster aimed at increasing savings bank revenues and avoiding the London market: Raise the interest rates, raise the account ceiling or offer a 3.5 stock to depositors. Although Courtney favoured the last option in 1892 the yearly and total account ceilings were re-pegged to \$1,000 and \$3,000 respectively. During the recession, depositors had withdrawn almost \$3 million more than they put in during 1890-91. See Debates, 7.2:1892, p.252.

<sup>80</sup>Debates, 7.4:1894, pp. 3186-3194.

<sup>81</sup>Fielding to H.C. McLeod, 15 September, 1903, MG 3 V5181 (c) PANS.

Government savings banks were not abolished until 1929, while the Post Office branches lingered on until 1968.<sup>82</sup> However, because the savings deposits of the chartered banks far outstripped those of the government banks by 1890 it has been argued that the savings banks were *passe* by that time. They are treated as unimportant institutions in the development of Canada's capital sector dominated by larger, 'true' financial intermediaries such as the chartered banks, building societies, insurance and trust companies.<sup>83</sup> In reality nothing could be farther from the truth. The amount of money invested in the banks was substantial and thus shaped the ability of the Maritime banks to finance industrial development during the latter half of the nineteenth century.<sup>84</sup> In a modern economy, such as Canada possessed after the late 1880's, transportation and communication technology allows for the interregional mobility of capital and entrepreneurship. However, in the case of the Maritimes after 1883 capital and entrepreneurs were much more likely to flow out than in. The anecdotal record of commentators like Fyshe and Courtney strongly suggests detrimental effects. The bureaucrat admitted savings banks competed against chartered banks while according to Fyshe, there was a disturbing

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<sup>82</sup>John N. Benson, Provincial Government Savings Banks: A case study of Regional Response to National Institutions, (The Fraser Institute, 1978), p.10.

<sup>83</sup>E.P. Neufeld, The Financial System of Canada: Its Growth and Development, (Toronto: MacMillan & Co., 1972), Chapter Five "Savings Banks".

<sup>84</sup>A portion of further works from different perspectives regarding the issue of industrial development in British North America and Canada see: T.W. Acheson, "The Great Merchant and Economic Development in St. John, 1820-1850," Acadiensis, VIII 2 (Spring 1979):3-27 and "The National Policy and the Industrialization of the Maritimes, 1880-1910," I 2 (Spring 1972):3-28, L.R. MacDonald, "Merchants against Industry: An Idea and its Origins," CHR LVI 3 (September 1973):263-281; Kris Inwood, "Maritime Industrialization from 1870 to 1910: A Review of its evidence and interpretation," Acadiensis XXI 1 (Autumn 1991):133-155; Neil Quigley, "Bank Credit and the Structure of the Canadian Space Economy, 1890-1935," Ph.D. Thesis, University of Toronto, 1986.

flight of capital and verve out of the Maritime region after 1883.<sup>85</sup> By 1903, D.R. Clarke, cashier of the Peoples' Bank of Halifax, in reply to Fielding's questions about savings banks and the interest rate, stated that banking in the Maritimes was isolated and increasingly unable to channel local capital into productive enterprise. His words, uttered almost twenty years after Fyshe's memorandum to Tupper, make Fyshe sound eerily prescient:

These Provinces of Nova Scotia and New Brunswick have deposits but they also have industries and enterprises awaiting development and requiring the assistance of Capital, and the Banks more closely identified with the business life of the Provinces want to turn over the deposits so that they may prove of the greatest benefit to the neighbours of the depositors. There has been a considerable amount of deposits drained away from the business of this Province already, and the preservation of the Capital now in the Province for its own development is a serious question for local bankers to consider.<sup>86</sup>

Furthermore, while other commentators, both in and outside the region, may have advanced differing analyses and prescriptions for the savings banks, none denied the scenario posited by Fyshe and others. While some defended the savings banks as promoters of the thrift and frugality of working class individuals, nobody argued that the banks made macro-economic sense for the Maritimes as a whole.

The gross amounts of capital held and extracted by the government from the savings bank reservoirs are of such proportions that it is not possible to dismiss the

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<sup>85</sup>In analyzing the trials of the cotton, sugar and steel factories he held some hope, especially for Scotia Steel, but emphasised that "...a feeling of disappointment and sense of loss remains -- a consciousness that we have made bad investments and thrown away a great deal of money. The county however as its fair share of resources and with a return of the enterprising spirit and an abundance of capital there should be no fear of its future." Fyshe to Tupper.

<sup>86</sup>D.R. Clarke to W.S. Fielding, 28 September, 1903, copy of letter in RG 19 NAC in MG 3 V5181(c), PANS.

idea that savings banks played a strong role in modulating Maritime capital markets. The per capita ratios suggest that the modulation was negative. The credit markets in the Maritimes appear to have been stiffer than in central Canada.<sup>87</sup> In this context the extra competition engendered by the government banks would have been even more telling upon regional and quasi-national banks in the Maritimes ability to compete and, by extension, similar abilities in firms seeking credit.<sup>88</sup> Quigley, in his technically advanced study of the spatial allocation of credit totally ignores the putative effects of the savings banks. Still, and after admitting that the credit allocation process was skewed against rural and distant areas throughout the national economy, he states that since the spatial outcome of credit allocation was essentially balanced between urban-rural banks throughout the nation that there was no active discrimination in the regional allocation of credit. Only the size of branches determined whether they were "saving" branches or "loaning" branches, not their location.<sup>89</sup>

While Quigley is right to assert that it is extremely difficult to prove specific discrimination, one cannot then state that credit was therefore allocated evenly or equally. First, the process of spatial preference or regional bias, call it what you will, acted in an increasingly formalised and bureaucratic setting which detached the

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<sup>87</sup>Quigley, "Bank Credit," pp.285-300.

<sup>88</sup>An example of this competition comes from P.E.I. where according to the MP for Queens the Merchant Bank of Halifax (the Royal) had tried and failed to establish a deposit business there. MP, Davies, stated that "...while that is a good bank, and the people have confidence in it, they have not the confidence that they would have in a Government Savings Bank." Debates 5.2:1884, p.826.

<sup>89</sup>Ibid., pp.307, 338-343.

process of forming judgements on the business health and ability of the region from the actual realities present at any given time. Thus what was a temporary situation, became de-temporalised in the language of bank circulars, manuals and letters.

Henceforth the standard and expected analysis of Maritime credit markets was one that viewed them as sleepy and high-risk and therefore to be avoided where possible. A region increasingly isolated from the new centre of decision making became viewed in ways that while at one time perhaps accurate, led over time to a negative-feedback loop which created long-term distortions in the credit allocation process. In comparison to the growing metropolitan centres of Montreal and Toronto, all of the Maritimes, with the partial exception of Halifax and Saint John, were rural and distant. The erasure of local banks in the Maritimes, was not offset as it was in Ontario, by the winning of national dominance by the region's capital and the ensuing advantages that generated for central Canadian business. The fact that credit allocation decisions were made in Toronto and Montreal and not Halifax or Saint John did have a strong impact on the long-term outcome of Maritime industrialization.<sup>90</sup> One does not have to prove active, branch by branch discrimination to build a case for regional distortions in the credit markets. The state was also an important player. Its role could have unfolded in two ways.

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<sup>90</sup> Another theoretical framework positing the effects of location and space, quite different than Quigley's, regarding the formation of perceptions and decisions is provided by Mark Lutes. See "The Social Construction of Maritime Economic Reality: A Textual Analysis of Late 19th Century Banking Practices," MA Thesis, University of New Brunswick, 1986. An good example of a shift in location leading to a diminution of control occurred at the Merchants Bank of Halifax. Even before the transfer of head office of the Merchants Bank of Halifax to Montreal all large credit decisions were made there while the Halifax board members approved only smaller, local applications. See Duncan McDowall, Quick to the Frontier: Canada's Royal Bank, (Toronto: MacClelland and Stewart, 1993).

Firstly, by competing directly with local banks for capital it raised the price of money while decreasing its supply. This creates a market situation that favoured larger, more diversified banks better able to absorb extra costs. Following from that, to the extent that the posited effects modulated the local business climate, they exercised an indirect impact on the context of allocation decisions discussed above.

Did the savings banks benefit the region in that they provided depositors there a high return on their funds at the expense of the Canadian taxpayer at large? They did, but only to the extent those savings actually invigorated Maritime domestic consumption and production. On the government side, the evidence does not point to any large expenditure or strategy of this nature leading to an impartial mediation. While depositor's money was not held forever, as long as they held it in the savings banks it was put to sustain an agenda of uncertain value to the Maritimes. On the consumption side, when savings were eventually liquidated they purchased consumer and durable goods manufactured, increasingly, outside the region. The argument that those savings represented a net benefit to the region because they were spent there is perhaps correct, but needs validation. Indeed, given the out-migration after the 1880's, a large amount of these savings may have been spent outside the region. The efficient use of savings occurs only when some form of impartial mediation takes place between the saver and the user, the household and the entrepreneur living within the same defined area or, when looking at a national economy, if inter-regional transfers of capital and allocation of credit are relatively equitable and impartial.

Both savings banks branches -- finance's Dominion Government Savings Banks and the Post Office Savings Banks -- carried out the function of accumulating borrowed capital with marked success. Although their interest rate represented a subsidy, as national systems, they facilitated federal government access to large amounts of funds that were put to use during a critical time of infrastructure construction. An intense desire to complete the western project allowed Conservative administrations to ignore both complaints from chartered banks that savings banks represented a governmental intrusion into an activity best left to the private sector and hectoring from opposition politicians, soundly based, that they were 'illegal' cisterns of middle-class and mercantile capital whose integrity was further compromised by defalcations. Furthermore, it was also claimed that savings banks distorted credit markets in Canada by artificially raising the price of money. While these claims were to a certain extent overblown, there is no doubt that a greater share of discomfort was experienced in the Maritime region due to the peculiar nature of the Dominion Government Savings banks there and the state of the indigenous economy and banking sector.

Under the authority imparted by the constitution, the federal government undertook to maintain a direct government involvement in improving the morality and thrift of nominally working-class depositors that stemmed back to 1824 in New Brunswick. As colonial savings banks exhibited three tendencies -- government use of savings bank funds for both the direct payment and debt servicing of infrastructure development, defalcations by officers, and the subversion of the thrift



ideology by improper depositors -- so too did the federal governments agencies, especially the Dominion Government Savings Banks. The savings banks represented the start of a federal involvement in the consumer savings market still maintained conspicuously today in the sale of Canada Savings Bonds. Each fall they are advertised as vehicles which are secure, profitable, and cashable -- factors all attributed at the time to the savings banks success. Noting that Canadian infrastructure improvement, even before Confederation, has always required state intervention, rather than viewing the savings banks as transitory phenomena, they should be recognised as long-lived institutions which played an important role in the financial and social development of Canada during the nineteenth century and beyond.

In the next chapter attention will shift once again to the depositors of the savings banks. It will be seen that since a great deal of accumulated deposits arrived in large quanta, the very people who the chartered banks argued had no business using savings banks, and should have been investing elsewhere -- the rich farmer, the merchant, the doctor, the shopkeeper -- were likely fuelling the saving bank account growth. The very class which banking theory stated should have had the knowledge and wherewithal to find and fund their own investments often used the easiest and safest vehicle, the local savings bank. Given the stark difference between the cold winds of the regional economy and the attractive security of the savings banks, who could blame them?

## Chapter Eight

### Users and Abusers: Depositors in the Post Confederation Government Savings Banks

In the years after the confederation of the British North American colonies, the occupational profile of depositors at the government savings banks in the Maritimes continued to change as white collar workers became more common. This is not surprising since the occupational and account data presented in Chapter Four suggested that, along with the strong working class representation, there were growing numbers of "well-off" depositors at the trustee and government savings banks operating in the Maritimes. The parliamentary and editorial debates concerning the make-up of depositors in the federal period provide evidence this trend was increasingly evident to both critics and supporters of the Dominion Government Savings Banks. Indeed, if anything, the use of these banks by people who could not be properly described as the working poor became the norm in the 1880's and 1890's across Canada.

This chapter will focus again upon the human dimension by using occupational and account data from the Halifax and Moncton branches of the Dominion Government Savings Bank system. The Halifax data, from years 1869-1871, compares occupation figures to those of the earlier period in Chapter Four. The Moncton data is from the slightly later period of 1872-1888. It will be used in two ways. First, overall global figures pertaining to the occupation, account levels and account durations are provided. Secondly, individual account histories of many

greater detail patterns suggested by the overall figures.

Before describing the depositors of the savings banks in the later period, it is useful first to review the ideology of thrift that existed in the latter half of the nineteenth century. Since the governmental focus on the banks by the late 1840's had clearly shifted from conservative notions of land acquisition and societal stability to a more modern and popular focus on the mobilization of funds, it is tempting to think that the state had all but foresworn any ideological considerations regarding the moral perfectibility of man. This analysis is undermined however when one recognizes the existence of organizations and writers who produced a considerable body of literature which furnished a welcome ideological justification to the thrift institutions maintained by the federal state. Earlier, the argument was made that government will always focus its behaviour in the field of social reform and moral uplift through a particular set of ideological lenses, or blinders, depending on the point of view. This was true with the savings banks in 1894, just as it is today in 1994 with social reform in an era of government "downsizing". Social institutions supported by the state always have an ideological rationale, that, while perhaps contradicted by the financial exigencies and practices of the moment, remains more or less intact during the life of those institutions.

During the 1870's and early 1880's, although savings banks became "big business" in terms of the federal government plans for capital acquisition, the basic *raison d'être* underlying their existence was still the provision of secure and accessible means for saving among the working poor. For instance, finance

minister John Rose considered it a moral obligation of government to promote working class thrift.<sup>1</sup> Parliamentary discussions about the role of the Dominion Government Savings Banks therefore often centered around the issue of the class of depositor using them. Tory ministers like Tilley maintained that most of the depositors were working-class while the opposition quite effectively claimed otherwise.<sup>2</sup> Although the state's concern with finance and capital undermines claims that thrift and moral uplift were always uppermost in the mind's of ministers, they remained the primary justification of government thrift institutions. Therefore when opposition members and bankers assailed the financial logic of state savings banks they often first tried to expose the perversion of that *raison d'être*. On the other hand, politicians defending the banks emphasised the general and individual benefits bestowed by these institutions. For example in 1885 J.H. Fairbank, member for East Lambton, Ontario, quoted at length from political economist Emerson Keye's well-known works on savings banks. His long peroration sought not only to explain the role and usefulness of Canadian savings banks, but also their early origins in England and repeated many of the nineteenth century dictums of thrift and its inculcation. His main thrust was that since the working-poor 'needed' assistance the government's involvement in providing an important social utility for the working-classes deserved praise.<sup>3</sup>

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<sup>1</sup>Debates, 2.1:1869, p.201.

<sup>2</sup> See Debates, 1884, 1885.

<sup>3</sup>Fairbank also quoted from a work on savings banks by Gilbert. See Debates, 5.3:1885.

The speech of the honourable member from Lambton illustrates that some politicians read the extant thrift discourse and were given the opportunity to defend the government with it in debate. An example of these works was one published in 1876 by the writer Samuel Smiles entitled simply *Thrift*. Arranged by topical chapters, it was intended to provide both a philosophical basis and practical guide for the improvement of standards of industry and thrift in all facets of society.<sup>4</sup> Although it appears to be nominally written for people from all walks of life, its tone and didactic prose suggest it would have appealed to readers with more leisure and wealth than most working people. It was probably hoped that it would find its way onto bookshelves alongside other works aimed more directly at the middle-class or aspiring middle-class family such as the contemporary tracts on the management of domestic servants.<sup>5</sup> The page headers give an idea of the tenor of the book: "Thrift and Civilization", "Thrifty Industry", "Duty and Dinners" and "Improvement by Experience". Indeed, one chapter was devoted entirely to savings banks. It reviewed their history in Britain up to that time and then launched into a philosophical and social analysis of their usefulness. In this chapter Smiles

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<sup>4</sup>Samuel Smiles, *Thrift*. (Toronto:Belford Bros., 1876). Smiles also wrote works entitled "Character" and "Self-help". Religious tracts also cited savings institutions as a first line of defense against moral decay. See Entries 92, "Thrift" and 93 "Why Pay Rent" in What Shall I Say? Analytic Outline Addresses upon religious, temperance, thrift, health and social topics.(For the use of busy and over-worked Clergymen, Lay-Readers, Teachers, and Parish-Workers), by Rev. Henry W. Little, (London:Skeffington&Son, 1887) and Chapter V "Money" -- Part 3: "We Should Cultivate Thrift" in Life and Conduct, by J. Cameron Lees of the Christian Life and Work Committee of the Church of Scotland, (Toronto:William Briggs, 1896).

<sup>5</sup>Examples of these tracts were Mrs Beeton's Book of Household Management or Samuel Beeton's English Women's Domestic Magazine. See Pamela Horn, The Rise and Fall of the Victorian Servant, (New York:St. Martin's Press, 1975).

embodied his view of middle-class virtues with a military metaphor, the "Magic of Drill":

Nations as they become civilized, adopt other methods of discipline. The drill becomes industrial. The most self-dependant man is under discipline. A man must drill his desires, and keep them under subjection; he must obey the word of command, otherwise he is the sport of passion and impulse. A religious man's life is full of discipline and self-restraint. The man of business is entirely subject to system and rule.<sup>6</sup>

The metaphor invoked all the primary constituents of the paternalistic program of thrift -- self-denial and self-sacrifice, moral and religious observance, industry and perseverance.

Perhaps recognising that his audience was not likely the people he was often speaking about, Smiles included as well a chapter entitled, "Masters and Men" where he attempted to convince readers to personally address the fundamental antagonisms arising out of the capitalistic system. Acknowledging that the desire of labour to secure the highest wages conflicting with the owners demand for the lowest costs often led to "destructive strikes", he advanced an utopian solution. Since the problem as he defined it was not the competitive nature of the market system, but rather a preoccupation with worldly gain, he urged that class competition be substituted with a "cherishment" of a larger Christian sympathy and more genuine benevolence. What was needed was a "real fellowship" between the rich and poor, while maintaining individual competition.<sup>7</sup> This contradictory solution is so facile

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<sup>6</sup>Smiles, *Thrift*, p.126.

<sup>7</sup>*Ibid.*, p.168.

that it hardly bears analysis. It does, however, point to the inherent problems faced by reformers whose prescription for an equitable society did not comprehend the acceptance of necessary changes which would involve more concrete and radical developments than the mere invocation of a greater Christian fellowship. Although Smiles might include the quotation at the chapter head, "I wish I could write across the sky, in letters of gold, the one word, *Savings-bank*", he could not boast that the same institutions were going to address the fundamental conflicts produced by the system he defended.<sup>8</sup>

The middle class were also provided with tracts designed for their personal self-improvement. For example, in the late 1850's appeared *Worth and Wealth: A Collection of Maxims, Morals and Miscellanies for Men of Business*.<sup>9</sup> It is perhaps significant that such a book appeared just at the same time that the middle class began to dominate the political, social and financial institutions of the colonies, along with their social and financial institutions. It attempted to collate the wisdom of the ages into a handy reference manual organized by numbered entries. While entries dealing with savings banks highlighted the plight of the poor man who failed to save, the author really seemed to be addressing the middle class reader in a

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<sup>8</sup>*Ibid.*, that quote he attributed to a Rev. William Walsh.

<sup>9</sup>Freeman Hunt, (New York: Stringer & Townsend, 1856). Local Halifax businesses utilized the similar maxims and precepts to drum up clients. For instance when the Acadia Provident Association published its prospectus "For mutual life Insurance, annuities, etc." in 1874 it included quotes by J.R. McCulloch, Charles Dickens and Rev. Henry Ward Beecher. While clearly aimed at middle class professionals, the prospectus also featured an Industrial Branch, "...added in the hope that the class it is intended to benefit, and which class has hitherto been neglected, namely, the Working Class...." Its last page was entitled "Thoughts for Thinking Men", a compendium of maxims such as "Industry, Temperance and Forethought, are the grand sources of earthly prosperity." See Canadian Institute of Historical Microforming #05935.

cautionary way. By depicting the behaviour common to others - the 'losers' in the struggle of life - middle class readers could then modify their own accordingly and succeed.<sup>10</sup>

A revealing entry is the fictional story of Charles Converse, bank clerk, Mrs. Converse, housewife. It begins with Mrs. Converse, who desired a house, telling her Charles that they were spending too much money but could save enough to buy a property if only he reorganised his expenditures. The disbelieving husband dismissed this claim based on the plain fact they had spent all of his \$800 per annum income and had none left over. Stating that "women do not understand such things" he was, however, immediately forced to reconsider when his wife produced an accounting of the household finances which proved that necessary expenditures amounted to only, and exactly, \$492. Citing the adage "rain falls in drops, but washes the whole earth," it was, she asserted, Charles' unnecessary luxuries like segars (*sic.*), sherry cobbler, three daily newspapers and professional shaves that expended their remaining income. Mrs. Converse played her trump card, a circular from the "People's Saving Bank" containing an interest-principle table detailing the ease and power of saving. Thoroughly chastened, Charles duly opened an account at the bank with part of his next pay-check. "In four years the house was built, new furniture bought and paid for, and Charles considered one of the most thrifty young men in the town – all of which ...had their origin in the beneficent influence of the Saving's Bank, whose circular had opened his eyes, and

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<sup>10</sup>Entry # 214: "The day's earning of a poor man are cast away as soon as earned, a man's recklessness being as great as his poverty." p.379.



stimulated him to carry out his resolution"<sup>11</sup>

This tale supplies an excellent example of middle class values as they were supposed to exist and operate. However, because of the underlying assumptions and fictional conditions employed in the narrative it actually highlights the difficulty that the average working class, or even middle class, couple encountered in achieving that paragon of self-sufficiency to which the savings banks were so often connected-- home ownership.

Charles Converse it turns out was married to the daughter of a wealthy farmer who provided them with a "sunny little cottage" for nominal rent. Residing as they did near his farm on the edge of town they "lived in clover," receiving abundant free produce whenever they wanted. Both came from families that had never known want or hunger. The Converse's were childless, a circumstance of no small remark to would-be savers. Charles as a bank clerk could expect stable employment and a rising salary and, as his wife pointed out, had been promised a raise to \$1,000 per annum by the bank's president. All of these factors made their ability to save money much greater than the average 'real' family. The Converse's were a middle class ideal that rarely existed. City conditions would have precluded the availability of similar advantages to urban middle class workers. For wage earning families the situation would have been even more implausible. As suggested earlier, the low level of wages and demands of family, was severely compromised the average wage earning family's ability to save for large expenditures like houses.

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<sup>11</sup>Hunt, Maxims and Morals and Miscellanies, Entry #139, pp.267-276.

Finally, the parable spotlights the gender bias inherent in the ideology of the Victorian household. While the wife actually produced the figures, took the initiative and cited the husband's spending faults chapter and verse, in the end she receives no credit for his transformation. Despite her conscientious and thrifty attention to the household economy, not to mention her familial connection to much of their prosperity, it is the savings bank circular that is singled out as the prime cause of Charles' conversion. The woman can only plant the seed of thrift, while it is up to man himself to take the actual steps to produce the desired result. He is the active agent of change, she the passive prompter. Reality was often the reverse. For instance at the Saint John Bank, the wife was not always a passive figure. She often acted directly through the opening of accounts and obtaining proscriptions of husbands to ensure the security of family savings.

Overall, while the inculcation of thrift was not as actively pursued in the thirty years after Confederation as it had been earlier, such as through the visitation schemes of the Halifax Poor Man's Friend Society in the 1820's, its ideology was still very much alive. Perhaps not as paternalistic and direct as it had been when trustees operated most banks and editors caterwauled about poor relief and alms giving, thrift rhetoric still impacted indirectly on the lives of workers since it supported institutions like the savings banks. Remembering this let us now turn to the task of investigating in greater detail the depositors of the post-confederation era.

Table One compares two Halifax samples, one from 1859-60 and the other

from 1869-71.<sup>12</sup> The most distinctive change is the increase in white collar

**Table One**  
**Comparison of Depositors, Halifax:1859-71**

Group	1869-71		1859-60		Change
	N = 380	Percent	N = 205	Percent	
High Status	2	0.5	6	2.9	-2.4
White Collar	70	18.4	18	8.8	+9.6
Skilled Trade	69	18.2	34	16.5	+1.7
Semi-skilled	71	18.6	25	12.2	+6.4
Unskilled	17	4.4	21	10.2	-5.8
Servants	12	3.1	11	5.4	-2.3
Children	37	9.7	17	8.3	+1.4
Married Women	40	10.5	29	14.1	-3.6
Widow/Spinster	51	13.4	33	16.1	-2.7
Other	11	2.8	11	5.4	-2.6

participation. The rise, from 8.8 to 18.4 percent, was largely driven by an increase in the number of clerk depositors. In 1859-60 there were only 7 counted, but by 1869-71, there were 23. Men like George A. Sangster, clerk for the local branch of the Bank of Montreal, typified the new middle class occupations that had opened up with the diversification accompanying the national development of capitalism. Other groups such as the skilled trade, semi-skilled, and children did not vary significantly. Perhaps importantly, when recalling accusations of account splitting,

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<sup>12</sup>Source: Signature Books for Halifax Savings Bank 1848-1860 and 1860-1871, Vol. 1113 RG 3:NAC.

many surnames of the 37 minors were now of upper middle class origin.<sup>13</sup> The growth of a middle-class element seems to have come at the expense of the unskilled workers and the servants. In fact out of the 380 depositors with occupations, only 8 were labourers. Labourers such as Patrick Kennedy and Patrick Moriarty, both of the working class district of Lower Water Street, were becoming rare depositors at the bank. Societal change during the 1850's saw the middle class achieve the power that enabled them to legitimate their access to the institution. Conversely, when the socio-economic divisions became sharper as commercial capitalism mutated into industrial capitalism, the wage earning class seemed to have been able to make less use of the bank. Although the rhetoric surrounding the bank often still proclaimed its beneficial effect on the working classes, it appears that fewer actual members of that class were using the institution as time wore on.

Table Two compares the occupational breakdown from the Saint John Bank between the 1850's and 1870.<sup>14</sup> High status depositors were still absent from the 1870 sample. White collar depositors had increased, however, to 6.2 percent of the sample, up 3.9 percentage points from the earlier period. Skilled trade, semi-skilled, and unskilled categories all declined by fairly large margins indicating that working-class participation was slipping across all levels of competency.

What is really striking is the number of minors and women using the bank.

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<sup>13</sup>Maryann and Isabella Hartshorne, daughters of Hugh, Elizabeth A. Almon (Morris Street), Thomas Almon (Grafton Street). One parent Maryann Chaddock, wife of James, opened accounts on the same day for seven of her children.

<sup>14</sup> Source: Signature Books for Saint John Savings Bank 1852-1855, 1855-1856 and 1867-1870, Vols. 1105, 1106 and 1110 RG 3:NAC.

Minors increased their share over 14 percentage points, making up just over one-quarter of all depositors. Together with married women, widows/spinsters, and servants, they comprised 61 percent of all depositors. Women, when female minors are accounted for, comprised 49 percent of total patrons. The only male dominated occupational group to show any increase were white collar workers. The only other categories that had increased over the 1860's were females and children.

Table Two  
Comparison of Depositors, Saint John:1852-56/1870

Group	1870		1852-56		Change
	N = 210	Percent	N = 129	Percent	
High Status	0	0	0	0	0
White Collar	13	6.2	3	2.3	+3.9
Skilled Trade	25	11.9	24	18.6	-6.7
Semi-skilled	16	7.6	20	15.5	-7.9
Unskilled	16	7.6	21	16.2	-8.8
Servants	10	4.8	12	9.3	-4.5
Children	54	25.7	15	11.6	+14.1
Married Women	20	9.5	12	9.3	-0.2
Widow/Spinster	45	21.4	19	14.7	+6.7
Other	11	5.2	3	2.3	+2.9

Two interpretations can account for such a large presence of females and children. The first is that many of the children and women were being employed as account splitters by husbands with money to invest. In the case of the children, this was very likely true. The temptation to split accounts under the new federal system with its higher account ceilings helps to explain the large increase in children

depositors. Out of the 26 children for whom parental occupations were listed, 19 came from white collar and skilled trade backgrounds. Only 7 children came from the poorer households headed by semi-skilled and un-skilled fathers. The average age of those who had it listed was 7.9 years, too young for most to be earning their own money. Many accounts were opened for children under the age 5 years old, again pointing to the possibility that these were accounts of convenience for their adult parents.

The second possibility is that the women were simply opening accounts for the household, perhaps because the husbands were too busy working to do it themselves. Both scenarios, legitimate use and account splitting, could be at play. Out of the records containing spousal occupation data, 8 women were married to husbands who held skilled trades or white collar jobs and who therefore might have the wealth to justify account splitting. On the other hand, another 7 were married to semi-skilled or labouring husbands so their opening of accounts probably signifies an effort to facilitate family savings. One interesting example of a high status women opening account is that of Susanna Haliburton, wife of William Hersey Otis Haliburton, a Nova Scotia politician and judge.<sup>15</sup> Why she should open an account through an intermediary in Saint John, across the Bay of Fundy from Annapolis, is an interesting question. Either Saint John was deemed closer, since there was no bank in Annapolis, or the Haliburtons, because of their social status, were attempting to deposit money in a New Brunswick savings bank that they

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<sup>15</sup> J. Murray Beck, "W.H.O. Haliburton," *DCB*, VI:306-308. Haliburton's account was opened by Mrs M. Baynard, widow of a Dr. S. Baynard in June.

could not at the Halifax branch. Whatever the reason, her presence in the sample indicates clearly that families of considerable wealth and position could and did access savings banks.

**Table Three**  
**Comparison of Depositors, Saint John and Halifax:1870/1869-71**

Group	Saint John 1870		Halifax 1869-71		
	N = 210	Percent	N = 380	Percent	Spread
High Status	0	0	2	0.5	0.5
White Collar	13	6.2	70	18.4	12.2
Skilled Trade	25	11.9	69	18.2	6.3
Semi-skilled	16	7.6	71	18.6	11
Unskilled	16	7.6	17	4.4	3.2
Servants	10	4.8	12	3.1	1.7
Children	54	25.7	37	9.7	16
Married Women	20	9.5	40	10.5	1
Widow/Spinster	45	21.4	51	13.4	8
Other	11	5.2	11	2.8	2.4

Table Three, a comparison of Saint John and Halifax, shows that some separation in their respective profiles had occurred since the 1850's.<sup>16</sup> The clientele at the Saint John Saving Bank was younger and more female than in Halifax where the white collar group had shown the greatest growth. However, once again caution must be exercised in analyzing these results since, unlike Saint John, quite a

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<sup>16</sup>Source: Signature Books for Saint John 1867-1870 and Signature Book for Halifax Savings Bank, 1860-1871, Vols. 1110 and 1113 RG3:NAC.

few of the skilled trade and white collar depositors in Halifax were female meaning the Nova Scotia was more female than it appears. Both banks had seen their unskilled depositors decrease while the number of white collar and children patrons grew. The servants and married women figures were very similar as well. The large differences between the two banks regarding the skilled and semi-skilled trades cannot readily be explained. One possibility is that the shift from shipbuilding to shipowning that occurred during the 1860's had hit the skilled and semi-skilled tradesmen of Saint John quite hard by 1870.<sup>17</sup>

By the early 1880's, after 10 years or so of active federal government involvement in the savings banks field, criticism about the banks from the Liberal opposition and chartered bankers, began to mount. They were very suspicious that many of the depositors were well-off merchants and professionals, in short, the upper middle class. Reports requested and tabled in the House along with regular departmental records provide a good starting place to analyze the overall make-up of both the Postal Savings Banks and the Dominion Government Savings Banks run by the finance department.

A parliamentary report on both type of federal savings banks gives a breakdown of small deposits for the year ended 30 June, 1881. That year a total of 43,941 deposits were made in the Dominion Government Savings Bank, however only 7,061, or 16 percent, were for sums under \$10. During the same time at the

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<sup>17</sup>Eric Sager and L. Fischer, *Patterns of Investment in the Shipping Industries of Atlantic Canada, 1820-1900*, "Acadiensis" (Autumn 1979):19-43. The 1870 sample contained 2 master mariners, 5 sailors, 2 and shipcarpenter/joiners. However the much smaller 1850's sample contained 1 master mariner, 5 sailors, 2 shipcarpenter/joiners, 1 rigger, 1 blockmaker, 1 cordwainer and 1 ropemaker.



Post Office Savings Banks, mostly in Ontario, 30 percent of all deposits were for \$10 or less. The average amount standing to the credit of depositors at the Government Savings Banks was \$337 while depositors held an average of \$156 at the post office banks.<sup>18</sup> This pattern remained unchanged well into the 1890's. In 1895 a report showed that of the 19,568 accounts still open in Nova Scotian Government Savings Banks totalling \$7,160,186, thirty-six percent was held in just 1,809 or 9.2 percent of all accounts.<sup>19</sup> Clearly, the Government Savings Banks in the Maritimes, and elsewhere, tended to receive relatively more deposits in large sums. Was this because per capita savings rates in the Maritimes were naturally high, that is everybody regardless of income or status saved quantitatively more than in Ontario? Or was it that Maritime banks attracted and allowed a qualitatively different depositor who simply had more to invest?

Certainly, some in Ontario suggested that the former case held. Fyshe's letter to the *Montreal Herald* in 1886, which critiqued the federal policy regarding savings banks from a clearly Maritime perspective, occasioned a reply from the *Monetary Times* in Toronto. While admitting that the Maritimes seemingly had too large a share of savings banks, 45 out of 50, the paper claimed that this was not unnatural. It declared this was simply due to a geographic predisposition to save:

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<sup>18</sup>Sessional Papers, 1882, No. 43: "Return of the number of Depositors in the Government Savings Bank of sums under \$10, during the last Financial Year," and "Return of the number of depositors in the Post Office Savings Bank of sums under \$10 during the last Financial Year, ordered by the House of Commons,".

<sup>19</sup>See Debates, 7.5:1895, "Return showing number of accounts and amounts held under \$500, under \$1,000 and over \$1,000". In New Brunswick the ratio was 36 percent held by 9 percent, in P.E.I. 45 percent of all money held by 9.6 percent of depositors. For more detail on per capita saving rates see appendix tables.

It must not be forgotten, however, that people who live down by the sea are more given to depositing money in savings banks, even when they are not backed by the credit of the government, than the inhabitants of the upper country are.<sup>20</sup>

Since Massachusetts also had a high per capita savings rate compared to Ontario, and since Ontarians were also tempted by the high interest rates and security of offered by the government, the writer reasoned that there must be "...some deeper cause than the inequality in the number of savings banks." The discrepancy in numbers was founded in "... the habits of the people."<sup>21</sup>

This editorial denotes the fact that by the late 1880's attitudes and perceptions about the economy, if not the culture of the Maritimes, had formed and already started to take the appearance of received wisdom. It was being characterised, along with Massachusetts, as a stagnant littoral backwater where money found few productive outlets. Conversely, following the writer's Turnerian thesis, the vibrancy of the Ontario upper country breathed a vigorous enterprising spirit into economic life there. What the writer forgot to mention was that the crucial problem was not the interest rate and security that these numerous banks offered, although those were serious concerns, but rather the class of depositor that they attracted.

Contrary to what the piece argued, Fyshe did not maintain that savings bank had ruined the West Indian Trade, caused the decline of wooden ships, or excluded Maritime products from the American market. Fyshe accepted these as *faits*

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<sup>20</sup>Monetary Times, June 4, 1886.

<sup>21</sup>Ibid.

*accomplis*. What Fyshe did say was that given these economic problems it was absolutely vital that available capital be channelled into enterprises in the region. As long as millions of dollars, most of which he believed were illegally deposited, were not being properly utilized the region was suffering to a certain extent. Furthermore, until 1886, the Dominion Government Savings Banks allowed deposits of up to \$3,000 while the limit in the Post Office Savings Banks was \$300 per year up to a total of \$1,000. This exacerbated the misuse of Dominion Government Savings Banks. To provide further evidence of this pattern of use data gathered from the ledger of the Moncton Government Savings Bank will be present and analysed.

The occupational breakdown at Moncton provided in Table Four demonstrates a composition of depositors that most closely resembles the 1869-71 Halifax sample.<sup>22</sup> White collar and high status occupations were numerous. Furthermore, the presence of the Intercolonial Railway which brought repair and manufacturing facilities and the head office produced a noticeable industrial flavour to the occupational roster at the savings bank.<sup>23</sup>

The white collar element at the bank was comprised of teachers, clerks,

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<sup>22</sup> The majority of women were listed as "Spinster". Many of those women were probably servants, or perhaps dressmakers and seamstresses. In the 1881 census, out of 198 women recorded with occupations 43% were domestic servants, 22% dressmakers, 12% seamstresses and 9% teachers. By 1891, domestic servants had fallen somewhat to 39% of female workers. See Ginette LaFleur, "L'industrialisation et le travail remuneré des femmes: Moncton, 1881-1891," in Hickey, Moncton 1871-1929: Changements Socio-Economique dans une ville ferroviaire, (Moncton, 1990):64-87, p.67. There was one married woman and one midwife, five female teachers and no widows recorded in the sample.

<sup>23</sup>For studies of the ICR relating to Moncton during this period see: Ken Cruikshank, "Working for the People's Railway: The Intercolonial Railway in the Maritime Economy" Paper presented at Canadian Historical Association, (Charlottetown, May 1992); Daniel Hickey, "Moncton, 1871-1913: Le commerce et l'industrie," pp.41-62.

engineers and the clergy along with other miscellaneous occupations. Obviously, by the 1870's middle class professionals were an accepted part of the bank's clientele. Together with sixteen high status patrons they amounted to 33 percent of all depositors. The presence of the ICR head office in Moncton had an impact on the composition of the elite group of depositors. Railway auditors, station agents, baggage-masters, inspectors, and section-masters as well as the telegraph

**Table Four<sup>24</sup>**  
**Comparison of Depositors, Moncton:1872-1880**

Occupations	Number (percent) N=790
High Status	16 (2)
White Collar	247 (31)
Skilled	292 (36)
Semi-skilled	19 (2.4)
Un-skilled	30 (3.7)
Spinster	145 (18.5)
Minor	29 (3.6)

manager and station-keeper all held accounts at the bank.

The skilled trades were also well represented. Similarly, many of the job descriptions in this category -- brakeman, carpenter, machinist, telegraph operator and telegraph repairman -- were directly related to the presence of the ICR.

Together with more traditional trades such as shoemaker, tinsmith and blacksmith,

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<sup>24</sup>Source: Data collected from the Moncton Savings Bank Ledger, RG 19 V 3802. 812 contiguous accounts were taken from the start of the ledger in 1872 until 1880. In 1888 the bank was transferred to the Post Office Savings Bank system.

they comprised 36 percent of the Moncton clientele.<sup>25</sup> Combining their percentage with the high status and white collar segments covers 69 percent of all accounts. Thus the overall participation of lesser skilled workers, only 6.1 percent of all depositors, was almost as low in Moncton as it was in Halifax in the early 1870's.

It should be noted that Dominion Government Saving Bank in Moncton was a predominantly Anglo-Saxon institution. Although the sample was taken during a time of increasing penetration by rural Acadians into the new industrial milieu of urban Moncton, their participation at the bank was still low. Acadian names such as LeBlanc and Landry number only nine out of 812. Taking into account surnames that may have been anglicized such as White or Brown or that look the same in both languages, such as Martin, does not boost the numbers significantly.

Low Acadian participation is in keeping with the demography of Moncton at the time. A study of Acadians in Moncton before 1881 found that they remained at the lower end of the socio-economic ladder. Furthermore, instability was a hallmark of their employment. Although land hunger and poverty in the countryside often drove them to Moncton, the promise of well paid, stable industrial jobs frequently did not materialize.<sup>26</sup> Low earning power and sporadic

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<sup>25</sup>Unlike the pre-confederation samples, farmers were included in the skilled category here. This decision is based on their wealth and the fact that farming by 1880, especially around Moncton with its growing population and access to markets, had become more of a market-based business activity than in the 1830's and 1840's. Farmers, almost all English, came from the agricultural areas on the west bank of the Pettitcodiac River such as Coverdale and Hillsborough, as well as Moncton and Shediac.

<sup>26</sup>Jean Roch Cyr, "L'expansion démographique des Acadiens à Moncton avant 1881: le processus d'urbanisation et ses conséquences socio-culturelles," in Hickey Moncton 1871-1929: Changements socio-économique:17-35, passim.

employment, coupled with cultural exclusion,<sup>27</sup> meant that Acadians were both less able and less comfortable using the savings banks. On the other hand, compared to Fredericton earlier in the century where the few Acadians using the savings bank did so only under the patronage of their English 'betters', the 20-30 Acadian depositors who banked in Moncton did so freely and in relatively greater numbers.

A case study of the Moncton branch was initially performed at the global level. Averages of five measures were taken for each group: first deposit, lowest level, highest level, closing amount and total deposits.<sup>28</sup> A series of figures were prepared analyzing the account profiles of various groups of depositors. As well a series of figures detailing the average time open were constructed.<sup>29</sup> An analysis and comparison of these measures can reveal something about the pattern of account use and the remuneration of the various occupations. For instance, members of an occupation whose average closing amounts exceeded average opening amounts could be said to be successfully saving money over time. This situation was exemplified most clearly by the blacksmiths in figure two(a) whose closing amounts averaged a growth of 113 percent.

Analysis can be pursued further by introducing high and low level amounts.

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<sup>27</sup> *Ibid.*, p.30.

<sup>28</sup> The average account profile at the bank was as follows: first deposit, \$181; highest level reached, \$425; lowest level reached, \$102, amount at close or transfer, \$191; total deposits over life of account, \$804. Average time open for all accounts was 1.69 years.

<sup>29</sup> Four figures One(a) to Four(a), profile the averages of four distinct groups of four occupations. One(a) deals with an eclectic group, Two(a) with skilled occupations, Three(a) with white collar and Four(a) with High Status depositors. Four other figures One(b) to Four(b) feature the average time open of the same groups. Source: All data for Figures One (a) and (b) through to Four (a) and (b) comes from the Ledger of the Moncton Dominion Government Savings Bank, 1872-1887, Vol. 3802 RG 19:NAC.

High level amounts greater than first deposits and low level amounts less than closing measures reveal a situation where savings were amassed and drained and then re-built before termination. This is especially true when total deposits approximate the high level amount. While the account may have rebounded somewhat since the closing amounts were usually higher than low level amounts, little re-filling occurred since total deposits were not correspondingly higher than high level amounts. Examples of profiles of occupations exhibiting this common shape are labourers and spinsters in figure one(a), engineers and teachers in figure Three(a) and masons and machinists in figure two(a).

Other profiles evoke still different scenarios. Occupations displaying a significant difference between high levels and all other measures, such as the merchants in figure four(a), were really using the institution for business banking. They did not accrete funds incrementally and then expend them but rather kept a running balance at the bank that fluctuated greatly over time and amounted to

Figure One(a)

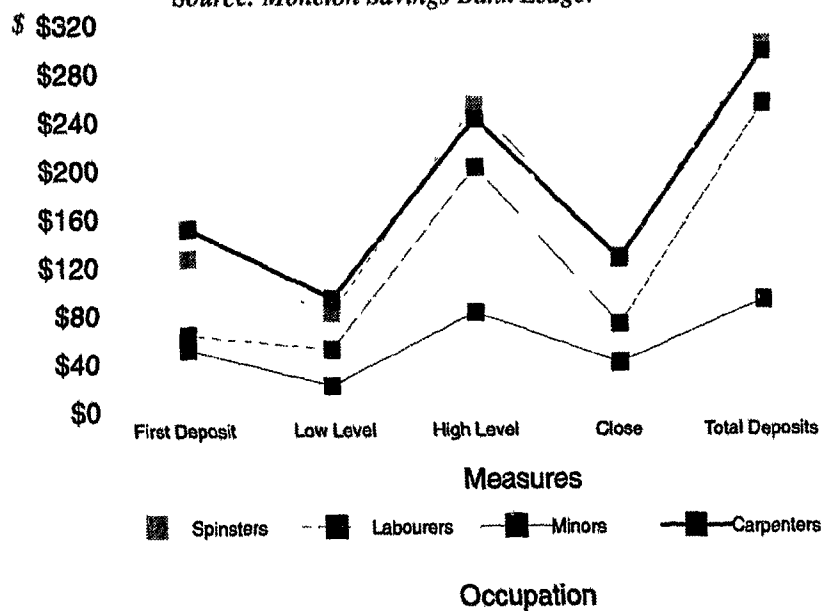
**Comparison of Depositor Profiles***Average of Five Measures**Source: Moncton Savings Bank Ledger*

Figure One(b)

**Comparison of Depositor Profiles***Average Time Open**Source: Moncton Savings Bank Ledger*



Figure Two(a)

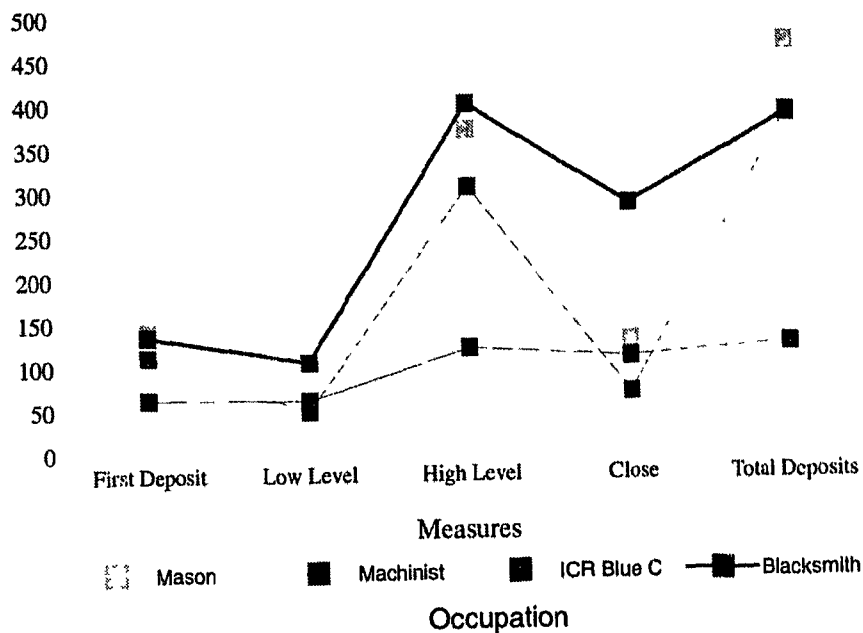
**Comparison of Depositor Profiles***Averages of Five Measures**Source: Moncton Savings Bank Ledger*

Figure Two(b)

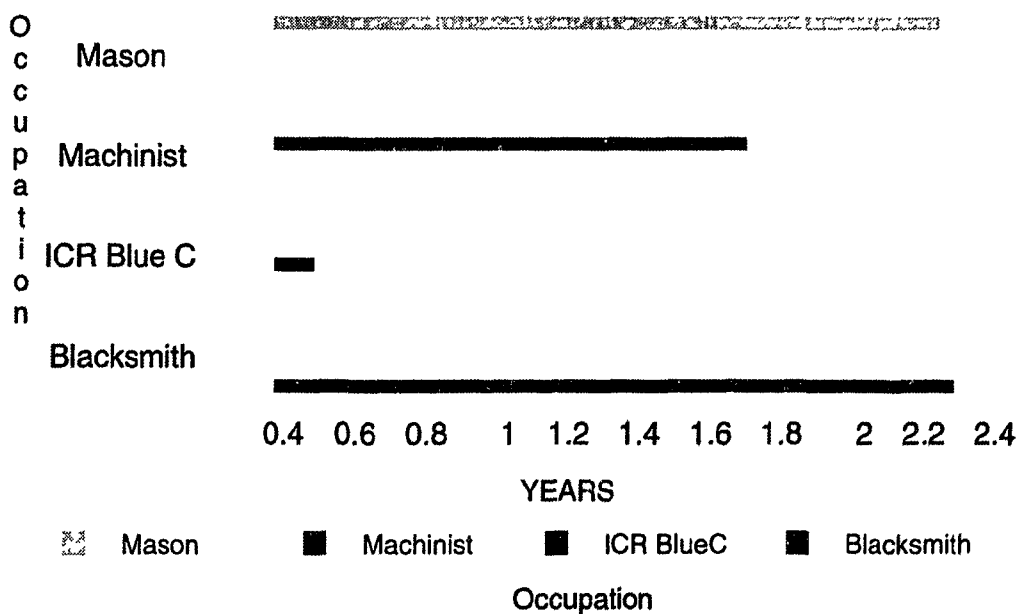
**Comparison of Depositor Profiles***Average Time Open**Source: Moncton Savings Bank Ledger*

Figure Three(a)

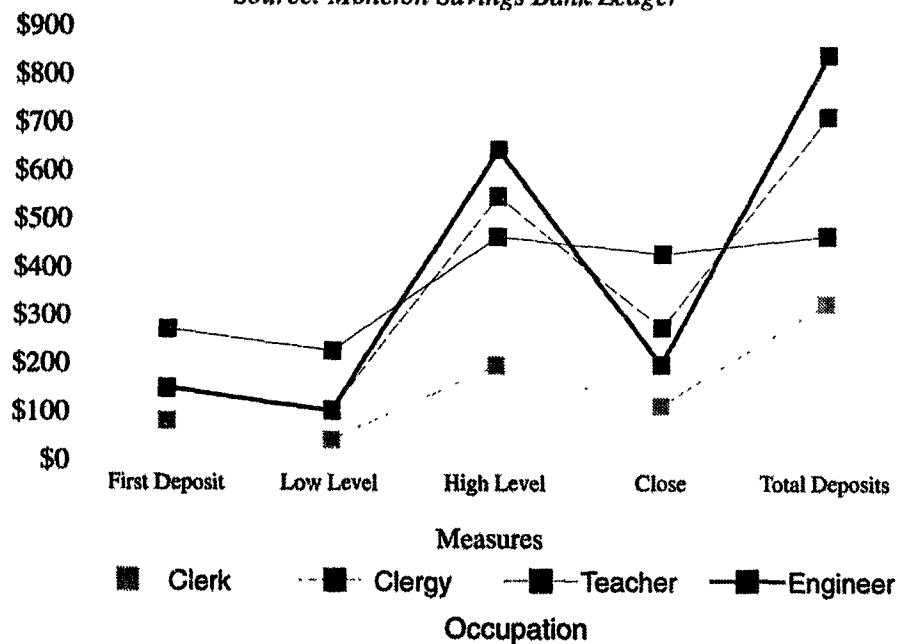
**Comparison of Depositor Profiles***Averages of Five Measures**Source: Moncton Savings Bank Ledger*

Figure Three(b)

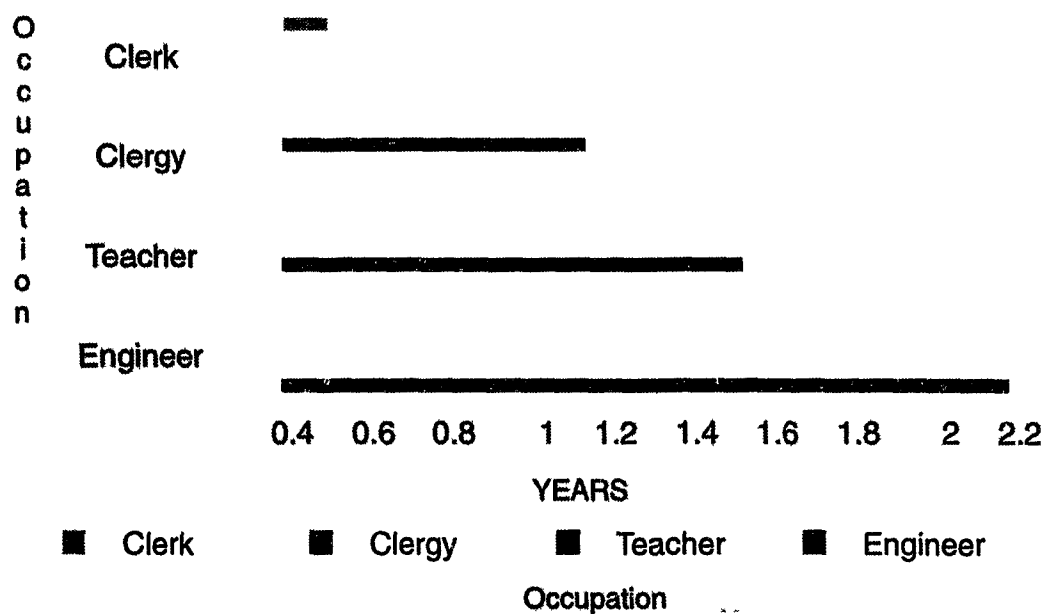
**Comparison of Depositor Profiles***Average Time Open**Source: Moncton Savings Bank Ledger*

Figure Four(a)

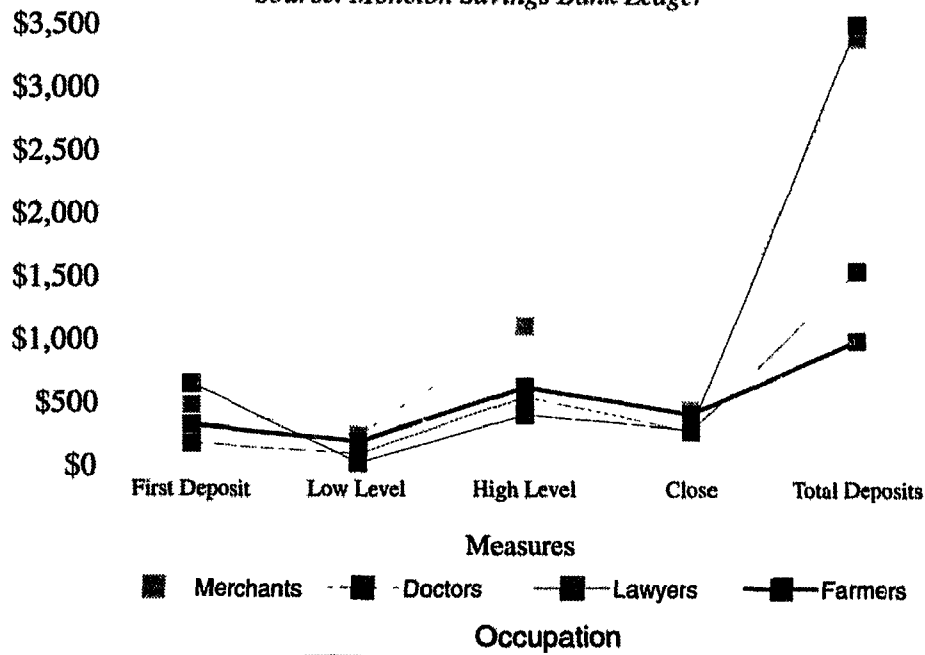
**Comparison of Depositor Profiles***Averages of Five Measures**Source: Moncton Savings Bank Ledger*

Figure Four(b)

**Comparison of Depositor Profiles***Average Time Open**Source: Moncton Savings Bank Ledger*

thousands of dollars.<sup>30</sup>

Time was an important factor as well since it contains salient information about occupational durations. For instance, except for the amounts, as stated above engineers and labourers had very similar profile shapes. However, a look at the time figures shows that labourers accounts were open, on average, only 1.10 years while engineers held theirs for twice as long. Similarly, while the ICR blue collar workers and minors both had flatter accounts, railway employees had the shortest account spans, .5 years, and children the longest, 3.8 years. Thus for the railway workers the flat profile and short time-frame were probably a result of an inability to amass large sums to spend because of work conditions and family demands. For children, in contrast, the observations stemmed from a combination of long-term security provided by parents intent on thrift education and their low or non-existent earning power.<sup>31</sup>

A final series of account activity profiles were constructed from individual accounts of various occupations.<sup>32</sup> Comprehensive records of each withdrawal,

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<sup>30</sup> Note that in figure four(a), the lawyer sample is only N=3. Because one of the lawyers had a high level of over \$6,000 that pulled the other two up the average high level was restricted to \$3,500 so that the profiles of doctors and farmers would not be distorted.

<sup>31</sup> Even full time semi-skilled workers at the Moncton shops would have been hard-pressed to save. Cruikshank states that while it is impossible to know exactly how many Monctonians found casual work with the ICR, it was "relatively easy to make less than \$500 annually on the Intercolonial." In 1911, a period somewhat later than this study, 54% of workers made less than \$500. Since average payment below that level was \$250 per annum and the wages were low, from 12 to 16 cents per hour for un-skilled and semi-skilled work, he suggests that "a fair proportion" of workers in the Moncton shops worked relatively full-time. See "Working for the People's Railway," pp.10-11.

<sup>32</sup> Source: All data for Figures Five through Eight comes from Ledger of the Moncton Dominion Savings Bank, 1871-1887, Vol. 3802, RG 3:NAC.

deposit, interest accrual and balances for each account were taken to enable the analysis of the frequency of activity and duration of accounts in greater detail. In figure five the account of activity of four labourers is represented. It demonstrates individually what the global averages imply. For instance globally, labourers had short, relatively modest accounts. Two labourers, J. Briggs and H. McFadden, opened accounts in 1878 with \$40 and \$15, respectively, which stayed open less than 3 months. The fact that these relatively large balances were not added to and drained quite quickly suggests that they were hoards that had been previously saved and deposited. J. McQuiggan fared somewhat better building his account up from \$40 to \$85 but then withdrew all his savings after only five months in 1880. J.M. O'Neil open his account in late 1878 with the very respectable deposit of \$125, but drained it steadily over a 2 year period. The slight rises in his account were due to small interest accruals, meaning that he never added additional savings to his initial deposit.

Figure six representing the accounts of four clerks highlights the differing saving strategies of this ubiquitous group. J.D. Campbell and H. Marr held dual peaked accounts that after an initial dip rebounded only to fall sharply as funds were again withdrawn. The remaining two clerks followed reverse paths. T.J. Rodgers started with the healthy sum of \$50 but quickly dropped to \$25 in three weeks and by four months had closed his account. G.C. Robertson on the other hand began his savings account with only \$5 but by relying almost solely on small

# Account Activity Profile

Labourers

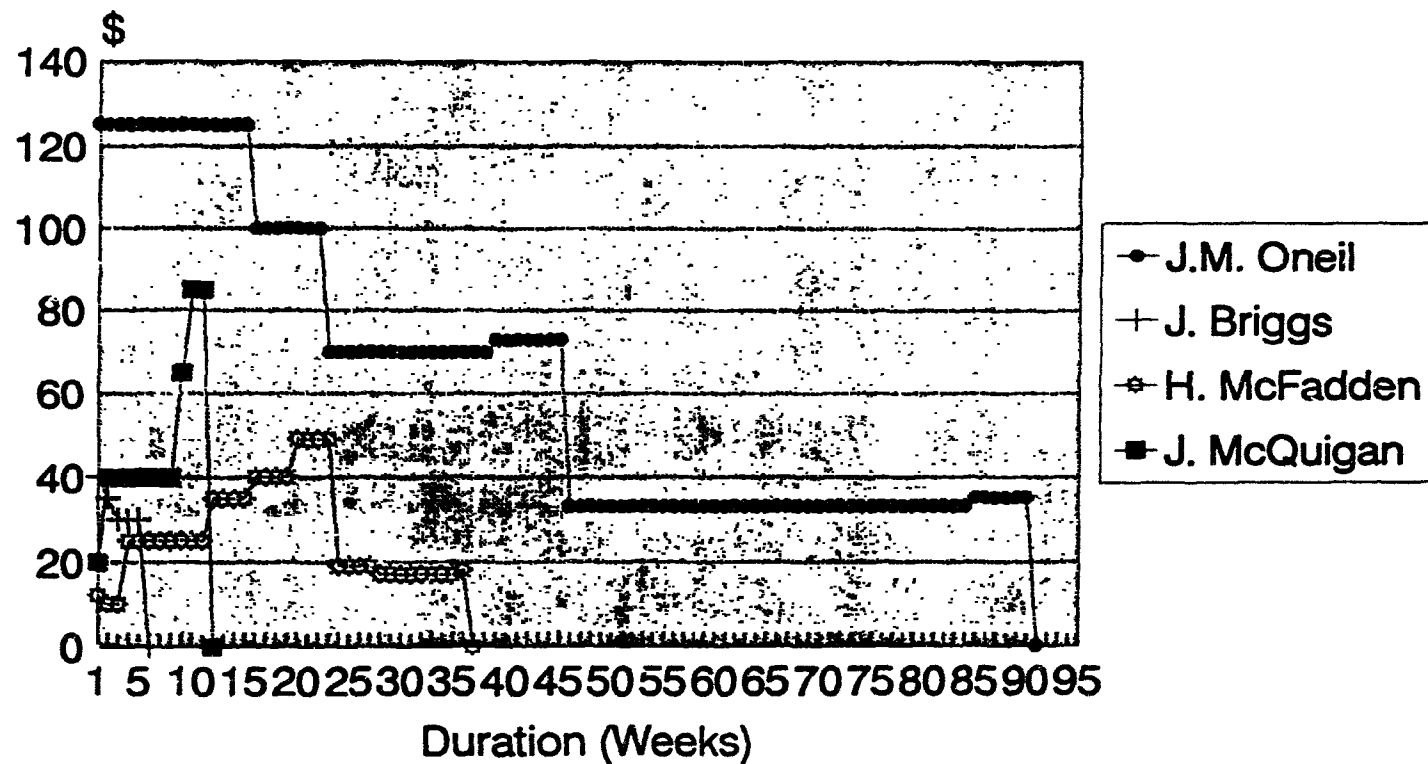


Figure Five

# Account Activity Profile

Clerks

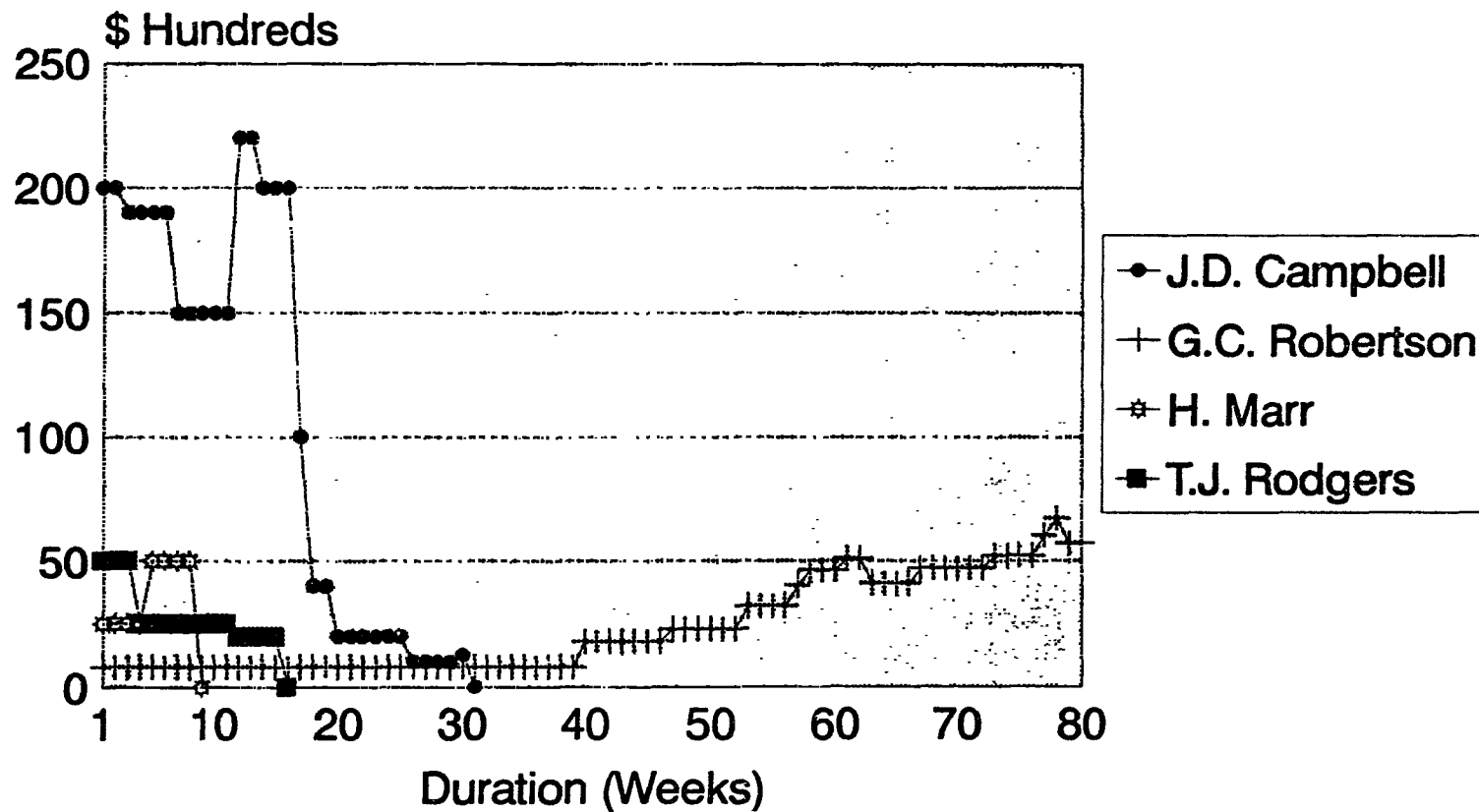


Figure Six

deposits of five to ten dollars built up his balance to well over \$50 in just over a year and half. Unlike the data from figure three(b) and the other three clerks, which all display short clerk account durations, Robertson's account was of long duration.

Curiously, Robertson's account profile of long-term additions of small sums and interest accruals is not the norm for clerks sampled. It might be expected that clerks, with their regular salaries and secure jobs, would amass savings in a slow, gradual fashion. The evidence however points in another direction. While their numbers were large, in general, clerk accounts opened and closed quickly and exhibited a fair degree of volatility.<sup>33</sup> The Converse Family with their four year account that paid for both house and furniture does not seem to have been the norm among Moncton clerks.

Farmers, another important group of depositors, displayed a tri-partite division of low level (\$0-100), intermediate level (\$100-500) and high level (\$1,000-5,000) depositors. At the low end, the three farmers in figure seven(a), E. McLatchy, M. Grady, and L. Leborg, all display similar profiles. Relatively small first deposits, between \$15 and \$80, were maintained for durations well below the overall average of just under two years. The flat profile with the steep terminal

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<sup>33</sup>This agrees somewhat with the Gordon Darroch study of nineteenth century Toronto which found: The value of the assessable property and income was least predictable for the "other" white collar workers. These were largely clerks, for the most part young and presumably in positions from which they expected to be "upwardly mobile". See "Occupational Structure, Assessed Wealth and Homeowning during Toronto's Early Industrialization," *Histoire Sociale*, XVI No. 32 (Nov, 1993):381-410, p.398.



# Account Activity Profile

Farmers -- Low Level

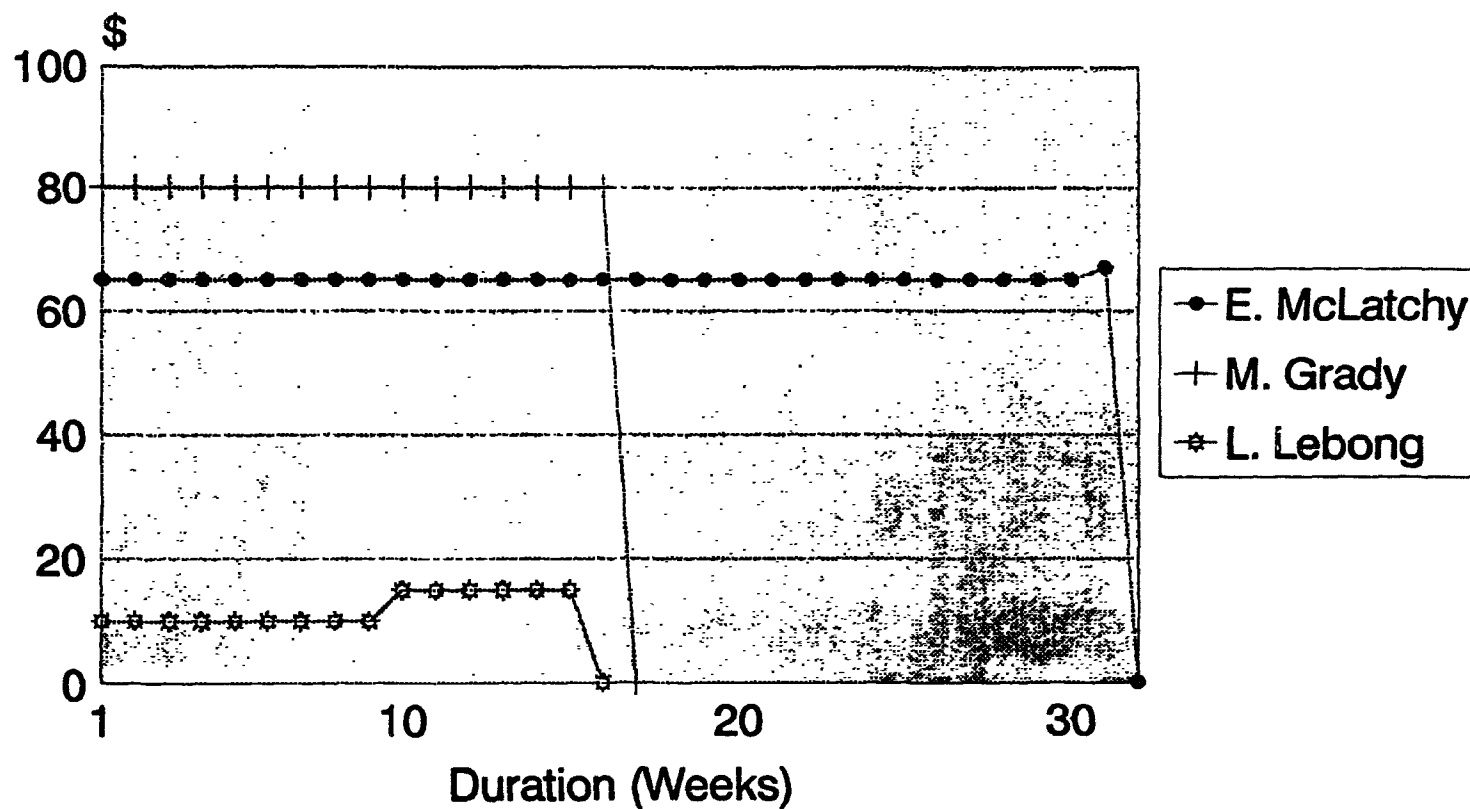


Figure Seven (a)

drop demonstrates that the money was deposited and then left undisturbed until some exigency or purchase called for its deployment.

Farmers in the intermediate level shown in figure seven(b) deposited larger initial amounts and then held their accounts open for much longer periods of time. Two farmers, D. Duff and A. Duff, held accounts open for fifteen years that, with a couple exceptions, relied totally on interest accruals to grow. The ability to hold sums of money for long periods illustrates the relatively greater wealth and security of the intermediate level farmers. J. Clark's account displays a similar ability to save with rigid regularity. After rapidly building up his savings to about \$350 by 1880, Clark withdrew \$300 and began to rebuild his account, depositing small sums every May and November until 1886. Excepting the one large withdrawal, Clark's account is actually quite similar to the two Duffs in that he exhibited an penchant for long-term saving.

A more volatile account was that of Jacob Van Buskirk. Van Buskirk was a farmer who listed his location as Moncton. He also opened two other accounts under the occupation of butcher, an occupation he was also listed as holding in a business directory of the mid 1860's.<sup>34</sup> In 1871 his capital was estimated by a credit rating agency at between \$ 0 - 1,000.<sup>35</sup> Van Buskirk it seems was a small

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<sup>34</sup>Hutchinson's New Brunswick Directory, 1865-66. (T. Hutchinson, 1865.) The author is indebted to Professor Daniel Hickey of the Universite de Moncton for sharing his research on Moncton business figures.

<sup>35</sup>The Mercantile Agency Reference Book for the Dominion of Canada, January, 1871. (Montreal, Toronto, 1871).

# Account Activity Profile

Farmers -- Middle Level

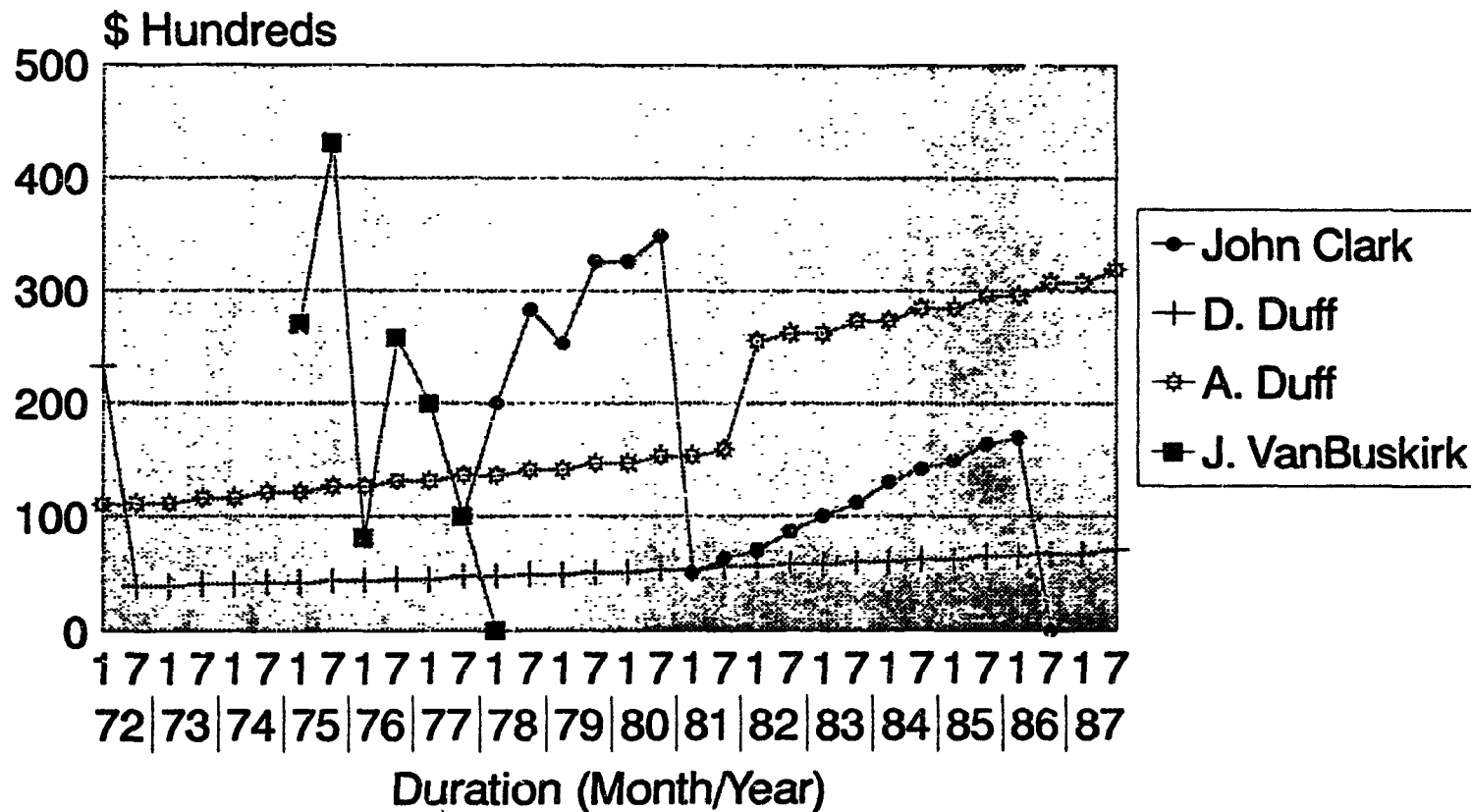


Figure Seven (b)

businessman whose modest resources allowed him to deposit and manipulate significant sums in three separate accounts over a nine year period. His other accounts manifest balance swings suggesting Van Buskirk used the bank as a repository for business funds as much as a savings vehicle.

Van Buskirk achieved mobility in status and wealth. In his earliest account closed in 1878, he was a farmer and ran a total of \$760 through his account. His last account opened as butcher in 1879 and closed in 1883, totalled \$2193 in deposits. Furthermore, by 1886 he was listed as a veterinarian.<sup>36</sup> Van Buskirk, in breaching the \$1,000 plateau had vaulted himself very close to the high level farmers. At the same time the threshold of legitimate savings bank patronage was certainly being exceeded as well. His multiple accounts functioning as adjuncts to business endeavour were the very antithesis of what the savings banks rhetoric presupposed. As a businessman, Van Buskirk would have been legitimately expected to bank at a local chartered branch, not the savings bank.

The same arguments hold for several high level farmers who ran even larger accounts at the Moncton Savings Bank. Figure seven(c) contains two accounts of one such high level farmer, W.J. Robinson. Robinson also gave his location as Moncton, a sign perhaps that, like Van Buskirk, his farm prospered due to an advantageous proximity to markets. Another sign of his status is his appearance as

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<sup>36</sup>McAlpine's Westmorland and Albert Counties Directories for 1885-86. (D. McAlpine & Son, Saint John, 1886). Both pursuits, butcher and veterinary, logically follow from an initial concern with farming and highlight the well-known problems attendant to interpreting nominal occupations such as 'farmer'.

a farmer in a business directory in 1871.<sup>37</sup> Robinson ran three accounts at the bank all of which overlapped temporally and two of which held large sums. His earliest account portrays a situation where saving was certainly not the main focus. Between December, 1876 and July, 1878, Robinson visited the bank on 150 separate occasions, opening with \$400 and closing with \$386, but in the process cycling \$7833 of deposits through the account.

Two weeks before closing out this account he opened another. After using it as a running balance for a three year period, he boosted it to a balance of \$3,000 and then allowed it to grow on the interest accruals paid at the end of the second quarter until 1888 when his account was transferred to the Post Office Savings Banks.<sup>38</sup> This account is a hybrid. Initially it resembles the first account in deposit/withdrawal activity until early 1881 when accumulation based on interest gains became the main focus. The accounts of W.J. Robinson, both in size and activity resemble those of the richest, and even more unlikely patrons of these thrift institutions -- the merchants. Figure eight provides the profiles of four merchants. Two of these men, Charles B. Record and James Flanigan were important enough to warrant ratings by R.G. Dunn & Co.<sup>39</sup> Record, an immigrant from Maine,

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<sup>37</sup>Lovell's Province of New Brunswick Directory for 1871, containing names of Professional and business men, and other inhabitants in the cities, towns and villages throughout the provinces. (John Lovell: Montreal, 1871).

<sup>38</sup>Robinson's third account, a much smaller one, was opened in May, 1878 and closed in September, 1879.

<sup>39</sup>R.G. Dun & Co Business Evaluations, Vol.9 "New Brunswick" , Baker Library, Havard University.

# Account Activity Profile

Farmers -- High Level

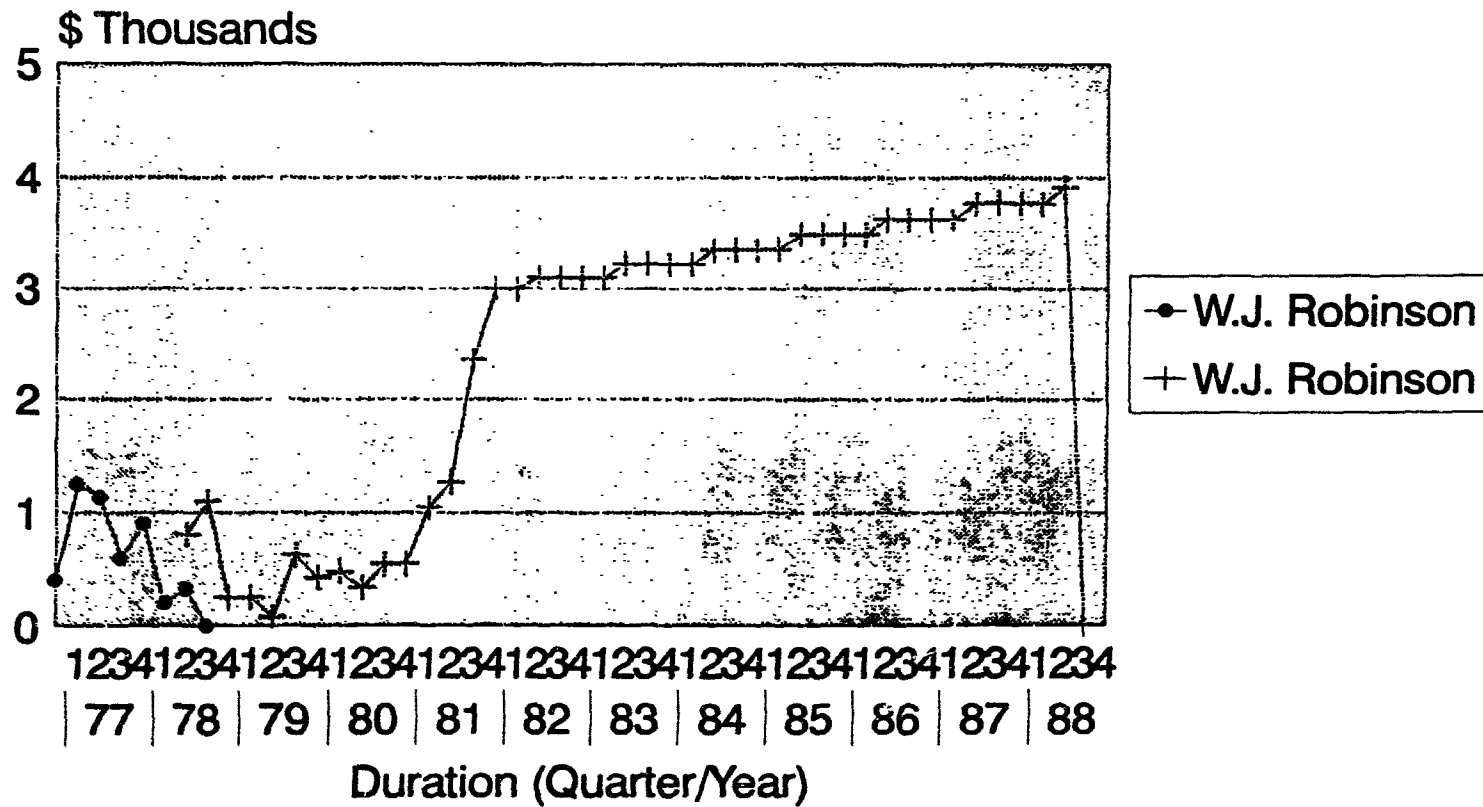


Figure Seven (c)

came to "the Bend" in the early 1850's and soon acquired a reputation as "an industrious, prudent and safe man." By 1858 he had amassed real estate worth £1 million. He subsequently got into financial difficulties but by 1865 had regained his standing.<sup>40</sup> His foundry, established in 1855, became the largest private sector business in Moncton, in a town where every other concern was dwarfed by the ICR. Reorganised in 1881, the Record Foundry was one of the few Moncton businesses able to compete extra-regionally, in this case in the stove oven and farm machinery markets of Quebec.<sup>41</sup> In the business world of Moncton Record was the biggest of all native players and should really be classified not as a merchant but rather an industrialist.<sup>42</sup>

The profile of Record's account illustrates graphically the extreme fluctuations in large quantities of money that some depositors occurring at the savings bank. The 52 week swaths portrayed in figure Five encompass balance swings between \$47 and \$4,792 in Record's account at a time when the maximum legal balance was \$3,000. During that 52 week period Record visited the bank on 87 separate occasions, for an average of 1.67 visits each week and kept a median balance of \$2,285. During the total life of this account, from 20 May, 1875 to 30 June, 1877, Record deposited and withdrew over \$63,000.

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<sup>40</sup>*Ibid.*, p.172, 176. Record's foundry business is featured prominently in two local histories of Moncton: J.E. Belliveau, The Monctonians. Citizens, Saints and Scoundrels, (Hantsport, NS: Lancelot Press Ltd., 1982) and L.A. Machum, A History of Moncton Town and City: 1855-1965, (Moncton: Moncton Publishing Co., 1965).

<sup>41</sup>Hickey, "Moncton: 1871-1913," p.51.

<sup>42</sup>By 1896 Record's capital was estimated at over \$20,000 by The Mercantile Agency Reference Book for the Dominion of Canada.

Record also held three other accounts which together witnessed over \$37,747 run through them. Three times he closed accounts just after reaping his interest gains on 30 June, only to reopen new accounts, sometimes on the same day. This was a man who was utilizing the bank as a safe, secure, and profitable, haven for floating capital, all the while manipulating the rules to the best of his advantage. The argument expressed by political critics and the financial competitors of the savings banks concerning the perversion of the *raison d'être* of the savings banks probably found no better example than this man who all told funnelled over \$100,000 through his multiple accounts. At the same time one wonders if the Dunn & Co. had any inkling about the amounts of capital that Record and others placed in these thrift institutions. Merchants may have used the institutions as investment alternatives to real estate thereby avoiding property taxes.<sup>43</sup>

James Flanigan was characterised as a general merchant who sold dry goods and cloth and who also sold real estate.<sup>44</sup> Dunn & Co considered him "safe" in 1871 when his capital was estimated at \$1,000 - \$2,000.<sup>45</sup> By 1903 Dunn was estimating

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<sup>43</sup>Darroch's study demonstrates that assessed wealth among businessmen and large property owners was always well below the real value. "Occupational Structure, Assessed Wealth and Homeowning", p.406. The same was true in contemporary Waltham, Massachusetts, See Howard A. Gitelman, Workingmen of Waltham: Mobility in American Urban Industrial Development, (Baltimore: John Hopkins Press, 1974), p.59. Darroch speculates that this pattern was a result of widespread under- or non-reporting in order to hide wealth from taxation.

<sup>44</sup> Lovell's Province of New Brunswick Directory, 1871.

<sup>45</sup>Dunn & Co, 1871, p.575. Capital estimated in Mercantile Agency Reference Book, 1871.



# Account Activity Profile

## Merchants

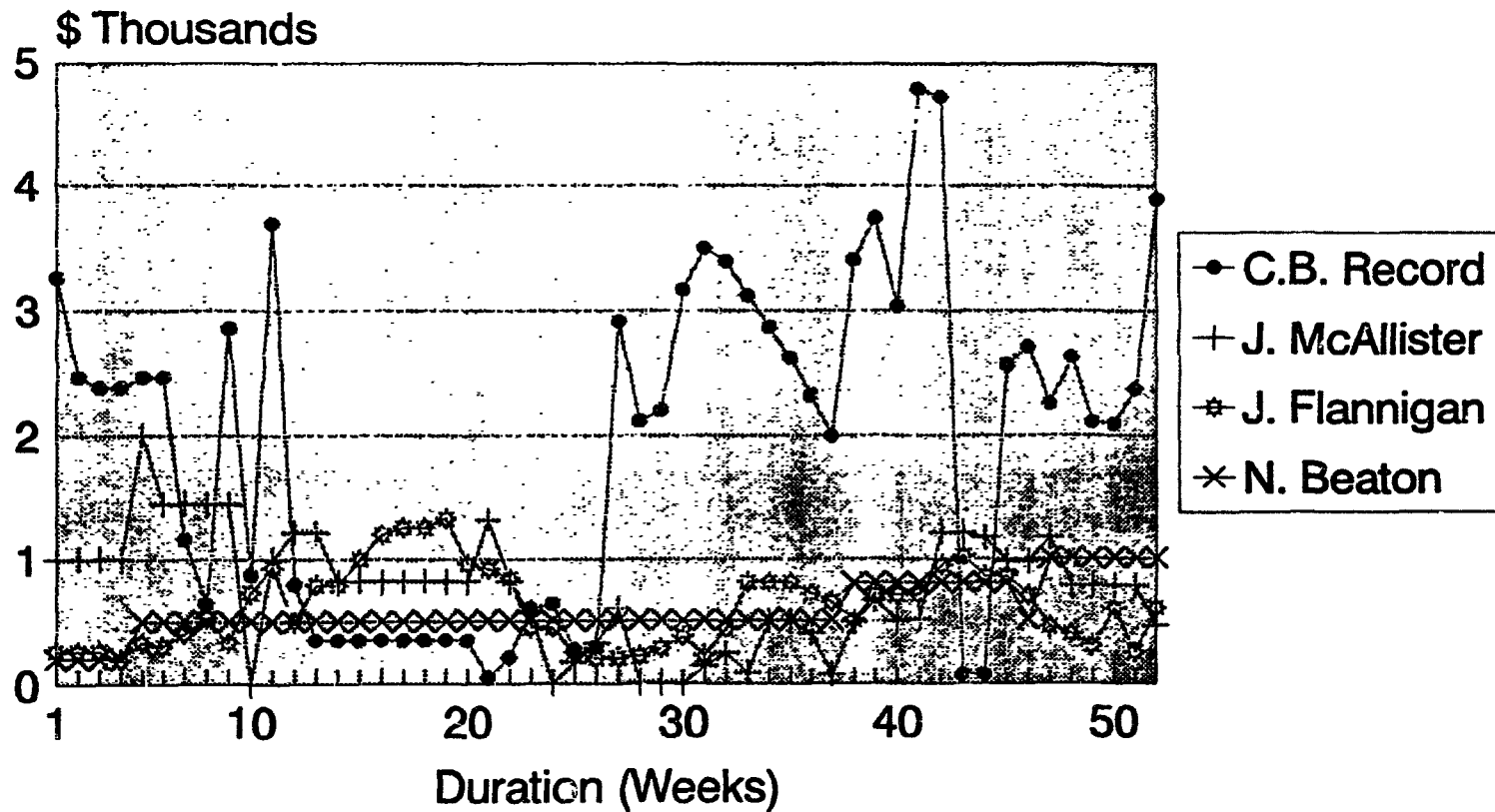


Figure Eight

his capital at between \$5,000 - \$10,000. While not as wealthy as Record, he left a profile that elucidates the oscillating nature of 'business banking'. He undertook transactions 1.17 times per week in an account that ranged between \$190 and \$1,333 around a median balance of \$600. The same can be said of the account of J. McAllister, who, while choosing to leave his money alone for weeks at a time, still visited it almost once a week on average. His account fluctuated between \$0 and \$2,000 around a median of \$820.

The last merchant, Norman Beaton, was a grocer with capital estimated between \$0 - \$1,000.<sup>46</sup> His account profile portrays a more cautious man intent on accumulation of capital. Starting with \$200 he steadily built it up to just over \$1,000 within one year. Since interest gains alone could not have amassed that sum so rapidly, his business was successful allowing him to save profits. Furthermore, by never once withdrawing money, he was able to accomplish the other requirement of successful saving -- leaving money alone. Perhaps this is why by 1885 his capital was estimated between \$5,000 to \$10,000.<sup>47</sup>

The merchants identified above, as the global figures suggest, were not the only well-off depositors misusing the savings bank. Several other depositors turned up in agency rating books and business directories.<sup>48</sup> One man, Francis J. Hunter,

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<sup>46</sup>The Mercantile Agency and Reference Book for the Dominion of Canada, July 1877. Beaton held a total of 6 accounts at the bank.

<sup>47</sup>The Mercantile Agency Reference Book, 1885.

<sup>48</sup>For instance, Henry A. Jacobs, M.D.; M.J. Cameron, undertaker (6 accounts); John T. Dowd, grocer; George H. Cochrane, merchant; E.C. Cole, merchant; H.V. Crandall, merchant (2 accounts); John B. Elliot, jeweler (3 accounts); Phillip S. Enman, druggist; Robert Cochrane, shipbuilder; Thomas B. Moore, lawyer; H.T. Steven, publisher.

opened an account in November, 1879 describing himself as a clerk. However, McAlpine's Directory had listed him as a "banker" five years earlier. This suggests a certain latitude concerning occupational classification was taken and granted, probably to allow access to the bank. Such leeway explains why this "clerk" was able to run over \$1100 through his account in less than a year. Similarly, the same strategy may have been used by "labourers" who appear to have held too large accounts.

The data from Moncton paints a picture of a savings bank that catered to a socio-economic stratum clearly not entitled to its benefits. While labourers and semi-skilled workers used the bank, the data from Moncton confirms what contemporary commentators and government statistics suggested -- namely that the majority of funds came from ever increasing numbers of middle or upper class depositors. As a case study of Dominion Government Saving Banks in the Maritime provinces, Moncton exhibits all the characteristics that Thomas Fyshe and Richard Cartwright deplored.

A contemporary and important body of evidence supporting the misuse thesis, as well as underlining the basic flaws of elite thrift ideology, comes from the Royal Commission of the Relations of Labor and Capital in Canada.<sup>49</sup> In 1886, under increasing pressure to address the concerns raised in earlier investigations and by an angry labour movement, the Macdonald government struck a royal commission. The commission toured Ontario, Quebec, Nova Scotia and New

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<sup>49</sup>Edited extracts from this commission are found in Michael Bliss (ed)., The Social History of Canada Series: Greg Kealey, Canada Investigates Industrialism, (Toronto:University of Toronto Press, 1973).

Brunswick in 1887-88 and by the spring of 1889 produced two dissenting reports. The Armstrong Report, the more pro-labour of the two, included specifically the heading "savings banks" as an area investigated. They were gratified to notice both types of savings banks "...being largely taken advantage of by the working classes." Recognising the current furore over the savings banks in Parliament they recommended that "...in so far as the interests of the public permit, the system be further extended, so that it may be brought within the reach of a larger number of working people."<sup>50</sup>

The commission asked specific questions of witnesses at every venue about their ability to save wages, or, if they were capitalists or professionals, about their perceptions of the ability of workers to save. Some witnesses testified that they had indeed been able to save money but also that the accomplishment required severe effort and appropriate circumstances, such as no children or working children. For instance Frederick Walter, a moulder in Hamilton, stated that many of his fellows had saved money and erected houses with the proceeds, as he himself had done. However, he subsequently sold his home, betraying the fact that its acquisition may have exposed him financially. When asked if such as he had to be "very economical, temperate, and prudent to save such sums," Walter answered affirmatively.<sup>51</sup> W. Collins, a Burlington engineer and machinist, related that he had been fortunate to save enough to retire at fifty but attributed this success to his

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<sup>50</sup>Ibid., p. 38.

<sup>51</sup>Ibid., pp. 148-149.

good choice of a wife and the fact he had no family. His testimony went on to illustrate the effects of family on a mechanics saving ability:

I can say that a man with a family of two children, a son and a daughter, will find his earnings, if an ordinary workingman, readily absorbed in the education of these two children, if he is so disposed. But the moment you have any children, if even an only child, it seems to me that the earnings of an ordinary mechanic would count for very little.<sup>52</sup>

S.B. Patterson, the accountant at the Dominion Government Savings Bank in Saint John, appeared before the commission in 1888.<sup>53</sup> He testified that "a great many" mechanics accumulated up to the \$1,000 ceiling then in place. However when asked how long it took to amass that amount his reply admitted the inherent effort and sacrifice:

That depends on business; some mechanics can save a great deal more money than others. If a man is steady at work and his family are earning, provided they are total abstainers, they can save \$1,000 in three years.<sup>54</sup>

Patterson's assumption then, that "a great many" mechanics saved \$1,000, was predicated on stringent conditions. The global data provided by the Moncton sample shows no mechanic type occupation boasted a time profile anywhere near three years or high levels around \$1,000. Only one group had an average high level near or over \$1,000 -- the merchants. Furthermore, it would be expected that many

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<sup>52</sup>Ibid., pp. 154-155.

<sup>53</sup>"Thrift Among the Working Classes" Canada, Royal Commission on the Relations of Labor and Capital in Canada, 1889. Evidence -- New Brunswick. In The Workingman in the Nineteenth Century, edited by Michael S. Cross. (Toronto: Oxford University Press, 1974). pp.216-218.

<sup>54</sup>Ibid., p.178.

mechanics in New Brunswick's largest urban centre would have had increasing difficulty in directing all their children to work by the late 1880's, a period well after the establishment of compulsory public schooling in the province. While some mechanics undoubtedly saved \$1,000, those that did were a small group who made the best wages and denied themselves and their families luxuries and an education over long years.<sup>55</sup> Furthermore, this long-term denial points to another condition that could not always be met, the avoidance of transiency, since the costs of moving would have had catastrophic effects on savings.<sup>56</sup>

Another myth peddled by thrift boosters was that a savings bank account was a ticket to home ownership.<sup>57</sup> More importantly, implicit in that argument was the assumption that homeownership was necessarily a beneficial object to be achieved for all working class people. Without a doubt, many of the permanent working-class residents of Canadian cities managed to purchase lots and homes, with or without the help of savings banks and building societies. However, these people often incurred heavy mortgages to finance the cost of such purchases. Workers

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<sup>55</sup>This incongruity between "official" assumptions of savings bank use by the working class, in addition to the unattractive relationship between extreme self-denial and the ability to save, is what Stephan Thernstrom observed in his study of savings bank accounts. See Poverty and Progress, Chapter 5, "Property, Savings and Status", *passim*. Katz et al remark similarly that "Without income from other family members, to save \$100 a year, or even \$50, required enormous effort, restraint, and, every likely, rigid underconsumption." See The Social Organization of Early Industrial, p.150.

<sup>56</sup>Transiency was an common reality for many workers during the nineteenth century. See Michael B. Katz, The People of Hamilton, Canada West: Family and Class in a Mid-Nineteenth Century City, (Cambridge, Mass.: Harvard University Press, 1975), pp.117-118, 132-134.

<sup>57</sup>A variant of the home ownership theme was pushed by conservative working class organizations too. While viewed as an important security goal that merited underconsumption, workingmen were advised to pay cash and avoid mortgages. See Ontario Workingman quoted in Katz et al, p.132.

aware that a relocation might become a future necessity may have avoided real estate debts to facilitate their freedom of movement.<sup>58</sup> This was especially true by the 1890's when long-term amortized mortgages came into vogue. While they lowered the initial costs, they spread payments over ten, twenty or thirty years, tying the owner more firmly to one locale.<sup>59</sup>

Judging from the testimony given by witnesses, while real estate was indeed often purchased, workers also seemed to be making a choice between a large savings bank account or a house. Savings accounts were often run simply to amass capital, not to facilitate some terminal property acquisition, because money represented a type of liquid power sometimes preferred over 'real' assets. When asked how long it would take a single mechanic to save \$1,000 in Saint John, Patterson avoided giving a direct answer, stating vaguely instead that he knew mechanics who "live better than I do, whose house is better furnished than mine, and who have all the comforts and conveniences that a great many professional men do not." He then, however, went on to contradict this:

They have money in the savings bank; they have but little or nothing in their houses, but they put all their money in the savings bank. This they do so as to be able to get it when they want it, and until that time comes the money remains there. This they would sooner do than invest in real estate.

Q: Do you think a man would prefer to invest his money that way

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<sup>58</sup>See Darroch, "Occupational Structure," p.382; Daniel Luria, "Wealth, Capital and Power: The Social Meaning of Homeownership," *Journal of Interdisciplinary History*, 7 (Autumn 1976):261-282, pp.268-269.

<sup>59</sup>Katz et al suggest that while amortised mortgages reduced the cost of housing they also precluded easy migration in search of better jobs and restricted participation in strikes or organized labour activity. *Ibid.*, pp.148-157.

than in real estate? A: I think so.

Q: Do they think that when they are moving around they can take their bankbook with them easier than a house? A: Yes.<sup>60</sup>

Other testimony provided first hand evidence of what the critics felt was the perversion of the thrift ethic -- improper depositors and account splitting. Another Savings Bank agent who testified before the commission, Corneilius Donahue of Sydney Mines Nova Scotia, did not leave an impression of a bank flush with the workingman's savings. His comments revealed that his branch's deposits were primarily not from his most numerous depositors, the miners. Out of the \$70,000 in the Sydney Mines branch he allowed that only \$7-8,000 came from the miners. The principal depositors he described as " ...a number of farmers."<sup>61</sup> In Saint John, agent Patterson touched on the issue of account splitting. When the law was changed in 1886 reducing the yearly limit from \$1,000 to \$300, depositors started opening more accounts for their children. In this way they could continue to amass capital and "evade the law."<sup>62</sup> It is significant that these two political appointees, Tories both, would admit such things in front of a commission appointed by the same government to ameliorate the pressure it was feeling from its critics of labour policy, some of whom like Richard Cartwright, were the same figures who attacked the government on the savings bank issue.

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<sup>60</sup>"Thrift among the working classes", p.178.

<sup>61</sup>Kealy, Canada Investigates, Nova Scotia evidence, p.448.

<sup>62</sup>Cross, "Thrift Among," p.177.



The data and anecdotal evidence is clear. Many of the working class used the Dominion Government Savings Banks in the Maritimes. At the same time however, the evidence indicates that the majority of money was deposited by people who according to official regulations and thrift ideology had no business using savings banks. In Moncton, 35 percent of all deposits made by the sample group came from the merchants who were just 12 percent of the data set. Merchant accounts outnumbered labourers accounts over two to one and labourers as a group contributed just 1 percent of deposits. In general, low or unskilled workers were less likely to have an account than almost any other group. When they did hold one, they were smaller and open for shorter durations than those above them in occupational status. While the banks contributed to the improvement of the lot of certain individual among the labouring classes, as a whole, the millions of dollars deposited in them can not be taken as a indicator of social and economic well-being of workers in general.

The high per capita ratio of savings found in the Maritimes cannot be explained by any geographic theory of "habit" or pre-disposition to save. There were no cultural forces behind the savings bank popularity. The statements of the bureaucrat Courtney make it quite clear that the savings banks were a federal construct more or less imposed on the region for financial reasons. That the writer in the *Monetary Times* would express a geographic theory a saving really means that observers outside the Maritime region were starting falsely to ascribe and assume cultural importance to practices that were really rooted in economic realities. As

far as the data on hand allows, the depositing practices discovered at the Moncton Savings Bank seem to fit neatly with the overall patterns of occupation, wealth and income found in other Canadian urban centres. The thrift discourse with its paeans to self-denial and hopelessly utopian ideals, for instance the Converse parable, was just as out of touch in Moncton and Sydney Mines as it was in the tenement warrens of downtown Toronto.

The thrift discourse that placed so much hope in savings institutions since the early 1820's, had, by 1890 become disconnected from the reality of working class life. Reformations in the landscape of work stemming from the evolution of capitalism and technological change destroyed the status and earning power of the skilled artisan and thrust many into the ranks of the un-skilled. The dominance of the middle-class agenda in politics realised by the 1850's led to a "takeover" of the savings banks by businessmen and professionals, a trend tacitly encouraged by a federal government intent on finding capital as expediently as it could. Savings banks became an increasingly less important facet of the government social agenda during the progressive era. More and more, the state concern for the welfare of the working classes was exemplified by "innovations" in factory legislation and universal programs like the federal annuity scheme. In the process state-run savings banks lost most of their reform and moral uplift function as government moved out of the "charity" business.

## Conclusion

An institutional history of the savings banks of the Maritime region provides enlightenment from several different angles. Savings banks highlight the role of ideas in society. As a vehicle of social support and moral reform savings banks rested on certain ideological constructs. Originally it was hoped that they would function as a bulwark for the conservative notion of the community comprised of independent yeoman farmers. In doing so, they would support the established order and relieve the costs of poor relief. However, at the very time that the banks were being founded, society in British North America was changing. As a new class emerged, supplanting the 'residual' order, the savings banks ideology was refocused to agree with the ascendant middle class morality of the 1840's and 1850's. For instance, starting in the 1820's, homeownership became the surrogate for independent homestead. Institutions would now facilitate the success of the individual, not the community as a whole. However, the very fact that the savings bank idea pre-dated by many years the rise of the middle class highlights an important component of causation. As a response by classes to the challenge of new historical developments, the savings banks were not initially dependent on the rise of the middle class.

Financially, from early on the savings banks were viewed by government as a convenient way to access capital. The occurrence of this development in almost every jurisdiction in both the United States and British North America is function of the scarcity of money experienced in the New World economies. Schemes for

using the saving bank capital first arose in the Maritime colonies, especially in Nova Scotia, well before the advent of Responsible Government. The role of the savings banks in the fiscal plans of government between 1830 and 1850 gradually became greater as the colonies became accustomed to using the institutions. Furthermore, while Nova Scotia led the way early on regarding capital funding of infrastructure, New Brunswick was developing the first government sponsored branch system in British North America. It is these roles that both presaged and facilitated the greatly expanded use made of them after Responsible Government and, which allows for a revaluation of the Langhout position that "...they were not extensively manipulated as an arm of public financial policy until the advent of public enterprise in the 1850's and 1860's."<sup>1</sup>

When the federal government assumed the banking jurisdiction in 1867 the savings bank system they inherited in the Maritimes was expanded and developed further. Using techniques perfected in the 1850's, the federal government drew capital from the savings banks to assist in the construction of the Canadian Pacific Railway. Following the lead of New Brunswick, Nova Scotia and Canada West, it used funds from the banks to lean the stock market of domestic bonds and thereby supported the state's long-term ability to raise capital.

The problem with this system was that it was not regionally impartial and tended to dislocate the credit markets and banking sector in the Maritimes more than elsewhere. Forty-five out of fifty banks were located in the Maritimes.

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<sup>1</sup> R. Langhout, Public Enterprise: An Analysis, p.78.

Maritime savings banks had the highest per capita deposit ratios in Canada by a large margin. Because of the nature of Maritime banking which had seen smaller banks with less capitalization and elastic circulation to capital ratios, competition from the savings banks was felt quite keenly. While some banks, such as the Bank of Nova Scotia and the Merchant's Bank of Halifax, were able to weather the storm and successfully make the transition to the national stage, most did not. To the extent that the savings banks reduced the ability of the local banks to compete and accumulate capital they also reduced the competitiveness of firms seeking credit. While the larger banks that went national did loan money to Maritime firms, there is no doubt that over time their interests were directed elsewhere, mostly due to the fact that they had moved out of the region and became disconnected from possibilities and realities there. Those banks that remained were complaining still about their externally imposed isolation from the trend-setters in Montreal and Toronto and government competition embodied in the savings banks.

Neo-classical theories of regional analysis, which in the capital sector posit a free movement of capital which allocates credit on a regionally impartial basis contain serious flaws.<sup>2</sup> They do not consider the partial, subjective human forces that impact on how and why capital moves one way or another. The credit markets of poorer regions are usually perceived as riskier and more expensive than elsewhere, therefore capital often flows out of those regions. Savings banks are a

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<sup>2</sup>For a discussion of these problems see: Stuart Holland, Capital Versus the Regions, (London, The MacMillan Press, 1976), Michael Bradfield, Regional Economics Analysis and Policies in Canada, (Toronto: McGraw-Hill Ryerson, 1988), Ann R. Markusen Profit Cycles, Oligopoly and Regional Development, (Cambridge: MIT Press, 1985)

classic example of a human construct, politically motivated, that exacerbated that imbalance of capital.

The federal savings banks, with their high interest, which was really a subsidy and link to the CPR, can be viewed as part of a nationally borne cost incurred to overcome the barriers to economic flows created by distance. British North Americans, facing formidable physical obstacles and money scarcity, had always looked to savings banks to assist in dealing with this salient fact. The national interest as defined by Sir John A. Macdonald's federalism

....emphasised the economic role of the state as an importer of capital and labour, a builder of railways and canals and a developer of western hinterlands. In doing so it corresponded to the interests of a rising bourgeoisie which needed the assistance of a strong state to accumulate capital and which at a time of limited urbanization, low expectations and restricted suffrage had little need to take the demands of other classes into account"<sup>3</sup>

Stevenson might have added that at a time when the federal government was dominant constitutionally, and successful in recruiting strong supporters of its agenda from the Maritime region, it did not have to consider the long-term negative regional impacts of the savings bank role on its agenda. Remembering deputy minister Courtney's admission that if all the facts were known about the savings banks in the Maritimes there would have been a hue and cry from the region, it seems the government was aware of the consequences, at least politically. However given the accommodation of Tilley and Tupper and the power of central Canada, it felt that they were not dire enough to warrant a change in policy until its agenda

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<sup>3</sup>Garth Stevenson, Unfulfilled Union. Canadian Federalism and National Unity, Canadian Controversies Series. (Toronto: MacMillan Co. of Canada, 1979), p.62.

was fulfilled.

Compounding this problem of state-sponsored economic dislocation was the type of depositors using the banks. It was during the two decades before Confederation that a frisson over this issue began to arise. While the ideology and rules of the bank held that only the working poor and other deserving people should use the bank, data on occupations and account levels taken from Saint John and Halifax suggests that more and more of the bank's monies actually came from well-off middle class or high-status depositors. It was suggested that while the inclusion of more and more middle class depositors was not surprising it did set up a contradiction between the ideology of the banks and their day-to-day reality.

By the federal era tales of account splitting and wealthy depositors were commonplace throughout the Maritimes. The data from the Moncton case study supports the conclusion that most of the monies deposited in the Dominion Government Savings Bank system came from depositors who ought to have been investing their money in the chartered banks and not thrift institutions. Thus not only was the region losing capital that might have been better utilized, the drain was being led by the class of citizen -- the merchant, the professional and the rich farmer -- whose investments represented the bulk of Maritime wealth and, as importantly, confidence in its future. In some ways the Maritime region was "decapitated" by both out-migration and extra-regional capital accumulation.

The middle class penetration of the savings banks was really a process that had been happening gradually ever since the middle classes had come to openly

patronize the savings banks by the early 1860's. In response to a clear need for an institution that effectively reached the poor, penny savings banks appeared and re-worked the old morality/frugality theme. They were often located in the heart of poor districts so that the poor would use them. Very small deposits, or "mites" were accepted by the penny banks that normally did not appear in the federal banks. Like their early saving bank predecessors of the 1820's they were trustee-run. Except where aristocratic governors and officeholding elite had sponsored the early savings banks by then it was a middle class elite. For instance the penny savings bank opened in Halifax in 1863 was sponsored by philanthropically minded men such as mayor Phillip Cateret Hill. Operating from a location in working-class Albemarle Street, it accepted deposits starting at 2 cents and cut off accounts at \$4.<sup>4</sup>

Throughout the last 20 years of the century, churches and schools fostered these banks which catered to children and the deserving poor. They proliferated as part of the social purity and scientific charity movements and by 1903 their existence was officially sanctioned by an act of Parliament.<sup>5</sup> This time however, it was Ontario that witnessed an inundation of these institutions. State-sanctioned thrift institutions of this sort never fired the imagination of the protestant churches and school boards in the Maritime provinces.

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<sup>4</sup> Novascotian, 6 July, 1863.

<sup>5</sup>For an discussion of the social purity movement see Mariana Valverde, The Age of Light, Soap and Water: Moral Reform in English Canada, 1885-1925, (Toronto:MacClelland and Stuart, 1991). By 1905 there were 1,651 schools sponsoring penny banks in Toronto alone. The Labour Gazette, 1905, p.419. In 1906-07 the Fred Victor Mission School Penny Bank Branches served 17,047 children who made over 425,000 deposits. Deposits were quite small usually under 25 cents. "Twenty Years of Mission Work" report of the Fred Victor Mission, Toronto, Ontario, 1907. p.31.



In general, penny savings banks in Canada by 1890 had come to play an important part in middle class philanthropy. What is fascinating about that the late nineteenth century ideology upon which those banks operated is its uncanny resemblance to that at play earlier in the century. When the Halifax Poor Man's Friend Society was formed in 1824 it attempted to undertake ward by ward investigations of individual households. It did so because it wanted to ensure that only the deserving poor benefitted from its largesse. Fakers and slackers were not be tolerated and indiscriminate alms giving was strongly deterred. In 1900, the leaders of the Fred Victor Mission in Toronto were bemoaning the fact that homeless men were resistant to moral improvement. They could not be trusted in their spiritual conversions and only "Experience enables the workers to weed out... the fakirs (sic.) and professional paupers." They strongly desired, furthermore, that "...our charitably-disposed citizens should know what a serious error is committed by the promiscuous giving of relief charity to beggars...."<sup>6</sup> In some ways the savings banks had come full circle over the course of the nineteenth century.

Another interesting parallel between the early and late versions of savings banks was the evolutionary development. Just as the trustee savings began as modest undertakings that relied on amateur, volunteer help, so too did the penny savings banks of the 1870's and 1880's. However reading the reports of the Saint Andrew's Savings Society, sponsored by Saint Andrew's Church, and the Fred Victor 5 cent Association, that mission's savings bank wing, reveals that over time

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<sup>6</sup> "The Light and Shade of City Life," Report of Fred Victor Mission, 1900. p.12.

personnel changes occurred as the banks grew. As late as 1900 the clerical work at the Fred Victor 5 cent Association was undertaken by a "corps of young ladies." By 1905 it was decided that the penny savings banks in Toronto run by the individual Protestant churches should merge into one large bank -- The Toronto Penny Bank. The 'old' banks would become branches of the new head office which was run by a professional staff. Success had prompted a professionalization, but also had pushed the penny savings banks away from the "street" and into the milieu of a middle class institution with its own hierarchy and careerist workers.

Savings banks played a role in the Maritime region which touched on both its economic development and its cultural formation as the area encountered and wrestled with the problem of modernity. As an ideological formulation they failed to live up to their initial billing, but at the same time they did fulfil a necessary social function that hitherto had been lacking. Hundreds of workers did patronise them, often using the institutions to meet ends not envisioned by the founders. As financial intermediaries they functioned effectively from early on to mediate a flow of funds from the private sector to the public sector. They facilitated a state role in the economy often not recognised for being as independent and separate as it actually was. That the role was developed and mediated by forces quite separate from the "free market" should serve to remind us that economic outcomes may be determined as much, or more, by human structures and ideology than they are by geography or other invisible compulsions.

## APPENDIX

TABLE I: Post Office Savings Banks in the Maritimes, 1885-1900

Year	<u>Nova Scotia</u>			<u>New Brunswick</u>		
	Balance	# Dep	Per Capita	Balance	# Dep	Per Capita
1885	\$ NA	NA(19)	\$ NA	\$ NA	NA(13)	\$ NA
86	NA	NA	NA	NA	NA	NA
87	125,823	832(21)	.21	153,447	752(13)	.44
88	179,137	1,402	.37	202,829	1,062	.58
89	957,391	3,618(27)	1.95	646,193	2,594(18)	1.85
90	1,055,899	4,317(31)	2.12	758,654	2,978(20)	2.14
91	1,117,135	4,860(43)	2.46	817,771	3,038(28)	2.54
92	1,126,547	4,978	2.49	870,501	3,317(30)	2.71
93	NA	NA	NA	NA	NA	NA
94	NA	NA	NA	NA	NA	NA
95	NA	NA	NA	NA	NA	NA
96	3,399,209	12,534(52)	7.44	1,922,299	5,789(42)	5.98
97	NA	NA	NA	NA	NA	NA
98	NA	NA	NA	NA	NA	NA
99	3,254,705	12,294(56)	7.10	2,365,909	6,852(43)	7.46
1900	3,431,496	13,125(56)	7.10	2,496,178	7,062(44)	7.76
<u>Year</u>	<u>P.E.I.</u>			<u>TOTALS</u>		
1885				\$ NA	NA	\$ NA
86				NA	NA	NA
87				279,270	1,634(34)	.31
88				381,966	2,464	.43
89				1,603,584	6,212(45)	1.82
90				1,814,533	7,295(51)	2.06
91	5,764	48(7)	.05	1,934,670	7,946(78)	2.19
92	9,063	76(7)	.08	2,006,111	8,191(81)	2.27
93	NA	NA	NA	NA	NA	NA
94	NA	NA	NA	NA	NA	NA
95	NA	NA	NA	NA	NA	NA
96	335,648	1,362(9)	3.07	5,657,156	19,685(103)	6.39
97	NA	NA	NA	NA	NA	NA
98	NA	NA	NA	NA	NA	NA

	<u>P.E.I.</u>			<u>TOTALS</u>		
99	288,102	1,276(9)	2.64	5,908,716	15,935(108)	6.67
1900	277,4445	1,225(9)	2.54	5,928,899	21,412(109)	6.68

TABLE II: Post Office Savings Banks in Canada, 1868-1900

YEAR	# of Branches	Ave Cash Deposit	Ave Cash Withdraw.	Ave Account	Balance	Transfers From GSB
1868	81	\$ 65	\$ 53	\$ 97	\$ 204,588	\$ ---
69	213	55	62	119	856,814	---
70	226	53	70	130	1,588,848	---
71	230	58	72	146	2,497,249	---
72	235	57	81	147	3,096,500	---
73	239	52	87	136	3,207,051	---
74	266	52	87	128	3,204,965	---
75	268	46	83	120	2,926,090	---
76	279	45	77	112	2,740,952	---
77	287	42	70	110	2,639,937	---
78	295	43	71	108	2,754,484	---
79	297	46	66	113	3,105,190	---
80	297	49	69	126	3,945,669	---
81	304	58	73	157	6,208,226	---
82	308	66	97	184	9,473,661	---
83	330	62	105	196	11,976,237	---
84	343	59	100	199	13,245,552	---
85	355	61	97	206	15,090,540	---
86	392	61	99	212	17,159,372	---
87	415	58	101	216	19,497,750	---
88	433	50	96	203	20,689,032	217,385
89	463	48	89	203	23,011,422	1,085,979
90	494	43	95	196	21,990,653	167,501
91	634	44	93	195	21,738,648	389,169
92	642	49	93	201	22,298,401	---
93	673	52	90	211	24,153,193	---
94	699	52	88	215	25,257,868	218,173
95	731	52	85	222	26,805,542	493,889
96	755	52	85	229	28,932,989	449,981
97	779	51	84	239	32,380,829	1,856,474
98	814	51	94	242	34,480,937	786,868
99	848	48	95	245	34,771,605	---

YEAR	# of Branches	Ave Cash Deposit	Ave Cash Withdraw.	Ave Account	Balance	Transfers From GSB
1900	847	52	96	248	37,507,455	141,171

Source: TABLE I -- Canada Year Books: 1868-72, 1874-75, 1886,1888,1890,1892,1897,1899,1900, and Public Accounts of Canada 1868-1900.

Source: TABLE II -- The Canada Statisical Abstract and Record, 1886,1887. The Statisical Yearbook of Canada: 1889,1899,1900,1901.

Government Savings Banks in the Maritimes, 1867-1900<sup>1</sup>

Year	Balance	% Inc/Dec	# Patrons	Per Capita	Balance	% Inc/Dec	# Patrons	Per Capita
Nova Scotia					New Brunswick			
1867	\$ 644,687	---	2,350 (1)	\$ 1.78	\$ 777,359	---	5,475 (10)	\$ 2.98
1868	669,687	3.9	NA	1.79	813,581	4.7	NA	3.01
1869	772,419	7.9	NA	1.94	872,105	7.2	NA	3.23
1870	835,048	10.9	3,729 (1)	2.19	1,720,804	97.2	3,084 (10)	6.14
1871	943,340	12.7	NA	2.43	1,128,696	-34.0	NA	3.96
1872	1,045,353	10.8	NA (19)	2.68	1,001,523	-11.0	NA (14)	3.54
1873	1,256,529	20.2	NA	3.14	992,848	-1.0	NA	3.48
1874	1,530,981	21.8	NA	3.73	1,151,743	16.0	NA	4.04
1875	1,610,254	5.1	NA	3.83	1,195,704	3.8	NA	4.19
1876	1,672,038	3.8	NA	3.98	1,189,427	-0.6	NA	4.10
1877	2,945,294	76.1	NA	7.01	1,279,470	7.5	NA	4.33
1878	2,210,019	-25.1	NA	5.26	1,790,196	40.0	NA	5.96
1879	2,499,406	13.1	NA	5.81	1,705,781	-4.8	NA	5.59
1880	3,016,355	20.7	NA	7.01	1,911,948	12.1	NA	6.17
1881	4,217,201	39.8	NA	9.58	2,611,517	36.6	NA	8.13
1882	5,101,643	20.9	NA	11.58	3,362,789	28.8	NA	10.46

<sup>1</sup>Source: Public Accounts of Canada:1901, "Recapitulation of Yearly Transactions of Savings Banks from July 1, 1867 to June 30, 1901" and Canada Year Books, 1868, 1872, 1893, 1894, 1898, 1900 and 1901. Numbers in Brackets refer to the number of branches open that year.



Year	Balance	% Inc/Dec	# Patrons	Per Capita	Balance	% Inc/Dec	# Patrons	Per Capita
1883	5,790,633	13.5	NA	12.58	3,896,287	15.9	NA	12.10
1884	6,493,277	12.1	NA	14.27	4,306,703	10.5	NA	13.33
1885	7,589,053	16.9	NA (29)	16.86	4,821,815	11.9	NA (14)	14.97
1886	8,593,121	13.2	NA	18.68	5,492,348	13.9	NA	17.11
1887	9,064,829	5.4	NA	20.14	6,138,734	11.7	NA	19.12
1888	8,879,585	-2.1	NA (26)	19.73	6,269,588	2.1	NA (11)	19.53
1889	8,411,511	-5.3	NA (25)	18.69	6,045,346	-3.6	NA (10)	18.83
1890	7,988,949	-5.1	NA	17.75	6,012,746	-0.6	NA	18.73
1891	7,394,349	-7.5	NA	16.43	5,941,892	-1.2	NA	18.51
1892	7,108,567	-3.9	23,059 (24)	15.73	6,002,694	1.0	16,953 (10)	18.68
1893	7,206,998	1.4	23,818 (24)	15.92	6,300,305	5.0	16,372 (10)	19.61
1894	7,160,186	-0.6	NA	15.89	6,360,306	1.0	NA	19.79
1895	6,951,171	-2.9	NA	15.43	6,441,137	1.2	NA	20.05
1896	6,811,606	2.0	NA	14.82	6,653,470	3.3	NA	20.09
1897	5,682,338	-16.6	17,311 (18)	12.36	6,666,024	0.2	17,151 (16)	20.13
1898	5,103,710	-10.0	NA	11.10	6,111,750	-8.3	NA	18.45
1899	4,839,447	-5.0	17,168 (16)	10.55	6,132,647	0.3	17,635	18.52
1900	4,744,377	-2.0	15,472 (15)	10.32	6,294,354	2.6	15,887	19.00
Prince Edward Island					TOTALS			
1867	40,009	---	NA	0.43	1,462,055	—	7,825	2.11
1868	NA	NA	NA	NA	1,483,268	1.4	NA	2.20
1869	NA	NA	NA	NA	1,644,524	10.8	NA	2.73

Year	Balance	% Inc/Dec	# Patrons	Per Capita	Balance	% Inc/Dec	# Patrons	Per Capita
1870	NA	NA	NA	NA	2,555,852	55.4	NA	3.80
1871	NA	NA	NA	NA	2,072,036	-18.9	NA	3.07
1872	NA	NA	NA	NA	2,038,201	-1.6	NA (34)	3.03
1873	249,941	--	NA	2.65	2,499,318	22.6	NA	3.25
1874	336,852	34.7	NA	3.58	3,019,576	20.8	NA	3.93
1875	346,530	2.8	NA	3.68	3,152,488	4.4	NA	3.99
1876	305,269	-11.9	NA	2.80	3,166,734	0.5	NA	3.63
1877	401,514	31.5	NA	3.68	4,626,287	46.0	NA	5.31
1878	371,074	-7.5	NA	3.40	4,371,234	-5.6	NA	5.02
1879	420,169	13.2	NA	3.85	4,625,356	5.8	NA	6.02
1880	516,652	22.9	NA	4.74	5,444,955	17.7	NA	6.25
1881	614,348	18.9	NA	5.65	7,443,066	36.7	NA	8.55
1882	895,432	45.7	NA	8.14	9,623,230	29.0	NA	10.93
1883	1,159,428	29.4	NA	10.54	10,846,348	12.7	NA	12.32
1884	1,412,694	21.8	NA	12.97	12,212,674	12.5	NA	13.88
1885	1,575,090	24.3	NA (2)	14.46	13,985,888	14.5	NA (45)	15.89
1886	1,960,438	11.6	NA	17.95	16,045,907	14.7	NA	18.23
1887	2,154,936	9.9	NA	19.74	17,358,499	8.2	NA	19.73
1888	2,160,430	0.3	NA	19.81	17,309,603	-0.3	NA (39)	19.62
1889	2,244,390	3.8	NA	20.58	16,701,247	-3.7	NA (37)	18.98
1890	2,147,616	-4.3	NA	19.73	16,149,311	-3.4	NA	18.35
1901	2,120,129	-1.3	NA	19.48	15,456,370	-4.3	NA	17.57

Year	Balance	% Inc/Dec	# Patrons	Per Capita	Balance	% Inc/Dec	# Patrons	Per Capita
1892	2,134,696	0.7	6,355 (2)	19.56	15,245,957	-1.4	46,367 (36)	17.32
1893	2,247,116	5.1	6,482 (2)	20.59	15,754,419	3.3	46,672 (36)	17.90
1894	2,282,716	1.5	NA	20.92	15,803,208	0.3	NA	17.94
1895	2,199,307	3.6	NA	21.29	15,591,615	-1.3	NA	17.44
1896	2,169,694	-1.3	NA	21.00	15,635,040	0.3	NA	17.48
1897	1,832,839	-15.5	5,340 (1)	17.74	14,181,201	-0.9	39,802 (25)	16.12
1898	1,843,961	0.6	NA	17.85	13,638,048	-3.8	NA	15.25
1899	1,800,667	-1.8	5,327 (1)	16.48	12,772,752	-10.0	40,130 (22)	14.51
1900	1,826,097	1.4	5,405 (1)	16.71	12,864,828	0.7	36,764 (21)	14.62

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