The Thrift Wars: Savings Banks and Life Assurance in Victorian Britain

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Savings banks and working-class life insurance providers shared common if tenuous ground in the moral economy of Victorian thrift. To E.W. Brabrook, Britain's Friendly Society Registrar, "a trustee or Post Office savings bank is as the infant to the grown man... compared with a well-constituted building society" (cited in Gosden 206). Brabrook's predecessor, J.M. Ludlow, similarly called the practice of insuring against burial expenses, as opposed to making provision for sickness, "the lowest form of providence" (*Parliamentary Papers*, 1888, XII: 57). Such comments mainly derived from the fact that these two forms of thrift were the least committed to mutualism, among a set of self-help institutions that included co-operative stores as well as building and friendly societies. Savings banks were usually run by middle-class philanthropists or state-employed postal workers, and working-class life insurance was either wholly commercial (in the case of the large "industrial insurance" companies like the Prudential and Refuge) or only nominally mutual (as with "collecting societies" like the Royal Liver). In both cases, their claim to be celebrants of thrift had less to do with co-operation among members than with the "savings instinct" which savings banks and life insurance societies allegedly instilled. In these, they arguably exceeded all other thrift organizations at the time. Building societies were credit unions, the members of which were (by definition) perennially in debt; friendly societies, with the exception of the occasional pension scheme, mainly doled out sick benefits on a pay-as-you-go basis; and co-operative stores enabled members to save money only when they were caught in the act of spending it.

The overlapping character of savings banks and working-class life insurance inevitably led to tensions between the two as they competed for patronage. In their efforts to convince workers to save, they presented distinctive conceptions of what money should be saved *for* and in what increments it should be set aside; and posited different capacities for thrift among their working-class clientele. Despite efforts by some to harmonize these differences by merging life assurance and saving accounts into a single institution, the two forms of thrift continued to be administered almost wholly separately throughout the nineteenth century—although their relative levels of success varied, as did their respective constitutions. Trustee savings banks (typically run by middle-class volunteers) enjoyed great success from 1815 through the 1850s, until a wave of scandals led to the establishment in 1861 of a competing state savings bank run by the Post Office. The Post Office Savings Bank quickly gained ascendance, although some of the more enterprising trustee banks continued to prosper. Working-class life insurance, although not without its advocates in the first half of the century, achieved relatively little success until the rise of the Prudential and a handful of large collecting societies in the 1860s. These institutions prospered by aggressively canvassing for business and collecting premiums on a weekly basis, in stark contrast with their predecessors' refusal to depart from middle-class sales methods.

This paper charts the competing ideologies of thrift that were embodied in the practice and rhetoric of savings banks and working-class life insurance societies throughout the nineteenth century. Savings banks, I argue, initially succeeded at the project of realizing Malthus's vision of thrift as moral restraint by linking it, as Malthus himself did in later editions of his *Essay*, to selfishness and to the desire for status. By making it easier for workers to gain access to their savings, they presented saving and spending as complementary virtues, which in tandem would fuel economic development. Following the scandals of the 1850s, the new Post Office Savings Bank modified the original Malthusian message as well as the intended audience when it began to preach thrift primarily to working-class children, and the surviving trustee banks supplemented this new appeal by encouraging the establishment of "penny banks". At the same time, both the post office and the trustee banks continued to serve as strictly temporary repositories for working-class savings, where easy access to saved income accompanied convenience in setting it aside.

Working-class life insurance, in contrast, initially assumed that workers needed to be persuaded to insure for their own good, lest they be tempted to squander their savings prematurely and leave their relatives penniless. After this message failed to convince workers to insure their lives, the new wave of industrial offices and collecting societies redefined both the contingency for which money was saved and the meaning of thrift. Saving came to be yoked to the earlier Malthusian emphasis on status—in this case a "proper" funeral upon decease—while "thrift" came to be defined as a willingness to divert several pennies a week from one's wages in order to keep up the family's insurance. Although more self-regarding than the middle-class model that preceded it, this definition of thrift continued to require customers to defer access to their savings for several years. As such, it ran counter to the more accessible attitude toward savings on offer by the post office and the trustee banks. On the other hand, the emphasis on small weekly increments brought life offices closer to the savings banks' practices, and consequently brought them more directly in competition with the banks' customer base.

I. Savings Banks

Although a few local savings banks appeared in Britain before 1800, the movement did not take off until the establishment of banks in Bath, Edinburgh and Southampton in 1814-15. Soon after, George Rose (who had founded the Southampton bank) introduced legislation which empowered registered savings banks to invest their funds with the National Debt Commission in exchange for a guaranteed yield of over 4.5%. The prospect of official recognition, not to mention the high yield, provided an immediate spark to the movement: between the passage of the Act in 1817 and the end of 1818, 171 new banks had formed (Gosden 210-14). Membership in savings banks fluctuated with the business cycle over the following three decades, passing one million in 1844; by that time over £25m in savings bank deposits had been invested in the National Debt (216). Public trust in the banks remained high through the late-1840s, and the only new legislation was intended to check their popularity as middle-class investment vehicles by pegged yields to the market rate of interest and by setting caps on annual individual deposits (217-21). Nearly all the banks that formed up to that point were on the "trustee" model, whereby middle-class volunteers (often local clergymen)

acted as trustees and managers in a part-time capacity. As a result, many of the banks were only open for deposits and withdrawals between ten and twenty hours a week.

Early justifications for the savings banks were consistently Malthusian in tone. Malthus himself supported the establishment of state-assisted savings banks in every county (Gosden 209), and middle-class promoters praised the movement as the best hope for countering working-class improvidence with a tangible mechanism of moral restraint. The Dumfries cleric Henry Duncan, who pioneered the Scottish savings bank movement in 1808, lamented "how much money is thrown away by young women on dress unsuitable to their station and by young men on the debauchery of the alehouse and in other demoralising practises" (quoted in Horne 43). Another writer more generously cited the "feeling among the poor, that it is necessary to remove from themselves the temptation to spend their little savings," in the course of promoting the Edinburgh Savings Bank in 1816 (Medwyn 7). Both reached the conclusion, expressed by Duncan, that such extravagance on the part of workers would cease once a "safe place is open to them for laying up their superfluous earnings" (Horne 43). To hedge their bets, early savings bank trustees guarded their assets with paternalistic rules, as when Duncan fined savers who failed to deposit a minimum sum each year and offered special financial awards to those who avoided withdrawing their funds for what he considered to be frivolous reasons (Gosden 211-12).

Savings banks made their first appearance in the UK before any serious effort had been made to extend life insurance to the working-classes, and before the appearance of building societies or co-operatives. In consequence, the only competing variety of thrift in the 1810s was practiced by friendly societies, whose advocates responded by accusing savings banks of encouraging undue parsimony among workers. The new banks, argued the *Times* in 1814, "literally made misers" of working men and thereby discouraged them from paying their weekly club dues. Defenders of the new banks did not need to modify their original justification very much to shoot down these efforts to privilege dues over deposits. As the Highland Society concluded in 1815, too many friendly societies occasioned "a good deal of money spent in entertainment," faced future insolvency owing to unsound actuarial assumptions, and were liable to having their funds "embezzled by artful men." At the very least, it concluded, "[t]housands of the working classes could well afford to pay their weekly sums to secure their sick... money, and yet have enough to spare to provide against the other rainy days of their life." Membership in a friendly society was thereby folded into the general story of the working man's surplus income being "pilfered by himself and his family" in the form of imprudent expenditure (Lewins 86-88).

Notwithstanding their sermons against spending, it was not until savings banks made it easier for members to dip into their accounts that they earned popular favor. The Edinburgh bank removed Duncan's requirement of minimum deposits and eliminated the scrutiny that had previously accompanied withdrawals, and in the process secured a much larger membership. The Glasgow bank, shortly after forming in 1836, pointed to its large number of withdrawals as a sign that it was being used as intended: "not so much with a view to increase, as to safe custody and preparation against rent day and other periodical disbursements" (cited in Payne 166). Indeed, as poor health followed the poor economic conditions of the 1840s, defenders of savings banks presented their members as

one-man friendly societies, who paid for the time they were "stretched upon beds of sickness" with "those small sums which they had wisely laid up for the day of trial" (172). Such comments indicate a different attitude toward the relationship between saving and spending than the "miserly" views which the banks' original promoters had upheld and which the *Times* had condemned. They followed the same trajectory as Malthus's own ideas on moral restraint as he moved from the original *Essay on Population* in 1798 to his later writings in the 1810s, wherein he argued that the desire to spend money on articles of fashion or personal health could be seen as virtuous behavior so long as it inspired men to delay marriage (Gilbert). The second generation of savings banks, like those in Edinburgh and Glasgow, took a similarly tolerant view of their members' spending habits, on the assumption that the decision to withdraw funds—even in the service of spending, whether on rent or a suit of clothes—indicated a virtuous variety of forethought.

Unfortunately for the savings bank movement, depositors were not the only interested parties who had easy access to the banks' assets. In a series of scandals that broke between 1848 and 1850, it came out that upwards of £229,000 in deposits had been embezzled by officials in several banks across England and Ireland. Members of the Rochdale bank discovered that more than two-thirds of their £100,000 in life savings had been stolen and mostly spent by its actuary, George Howarth, before his death in 1849 (Gosden 222-25). In 1861, after a decade of legislative inaction, William Gladstone acted to combat the public's failing trust in the trustee banks by creating state-sponsored competitors, to be run by the thousands of Post Office branches spread throughout Britain. These banks, he hoped, would provide superior security to the public, since postal officials were more tightly supervised than local volunteers, and would make it easier than ever for people to deposit and withdraw their money. His hopes were quickly realized. By 1871, a decade after the first government savings bank branch opened, the Post Office was administering more accounts (over 1.4m) than all the trustee banks combined; and by 1886, with over £50m in deposits, it surpassed the trustee banks in that category as well. In contrast to trustee bank deposits, which increased by only £10m between 1861 and 1900 (indicating an absolute decline once compound interest is subtracted), postal deposits continued to grow by roughly £5m every year and stood at £135m in 1900 (256-57).

As the Post Office system increased in scope, the sort of customers who patronized its branches changed. Initially, the Post Office had attracted workers from lower down the economic scale than the trustee bank depositors, as indicated by the fact that its average deposits were half the size of those held by the latter banks. By the 1890s, more lower-middle class customers were looking to deposit money with the Post Office, and the government encouraged this trend by raising the cap on annual and total deposits to £50 and £200 respectively. At the same time, under the leadership of the "blind postmaster" Henry Fawcett, the bank embarked on an aggressive campaign to teach the virtues of saving to children, by distributing Fawcett's *Aids to Thrift* and stampbooks to thousands of local schools. Both changes partly resulted from outside circumstances, including the establishment of universal elementary education in 1870, and partly indicated the Post Office's efforts to break even in the face of plunging interest rates (Alborn 1998: 159). Both strategies were also on display among the surviving trustee banks, which attracted lower-middle class depositors by opening special

investment trusts that were empowered to buy higher-yielding municipal bonds; and by encouraging the formation of "penny banks" in conjunction with local elementary schools (Payne 175-77; Brabrook 177).

All these efforts accompanied subtle changes in how savings banks marketed "thrift" to the depositing public. On the one hand, the message preached to children represented a throwback to the original Malthusian message that saving was a worthy end in itself, and preached the virtue of carefully husbanding every penny for the far-off future (Fawcett). On the other, the banks' higher maximum deposits and wider investment options, together with continued ease of access to accounts, merely increased the scale at which workers were encouraged to lay aside savings on a temporary basis. This latter facility brought savings banks directly into conflict with commercial banks, which by the end of the nineteenth century were embarking on an aggressive pursuit of the lower-middle class market (Alborn 1998: 158-65). To fend off charges that they had crossed over from "thrift" into the neighboring middle-class virtue of investment, William Meikle of the Glasgow Savings Bank combined the banks' new messages into the single assertion that "we give off every year thousands upon thousands of trained depositors who form the best customers of the ordinary banks" (cited in Payne 180).

II. Working-class insurance

In 1815, when the savings bank movement was gaining momentum throughout Great Britain, there existed no parallel effort to extend the benefits of life insurance to working people. Partly this can be attributed to the later development of life insurance as a middle-class practice: between 1720 and 1800 only the Equitable did any appreciable volume of business in that branch of insurance, and the firms that appeared in the new century mainly catered to an upper-class market. This state of things started to change, but only very gradually, with the appearance in the 1830s of a handful of mutual offices (most notably the National Provident Institution) which registered under the 1830 Friendly Societies Act but specialized in selling whole-life policies to lower- and middle-income customers. Several Scottish life offices, including the Scottish Provident, Commercial, and Life Association of Scotland, had by the 1830s also begun to seek lower-middle class policyholders. Such offices took advantage of recent discoveries that the standard premiums charged in the past had been based on unduly high assumed mortality, and—unlike most other offices—they passed the savings on to their customers up front, instead of offering the prospect of higher future bonuses (Alborn, forthcoming). When life offices started prospecting among customers who only had a few pounds a year to spend on insurance coverage, their pool of customers started to overlap with savings bank depositors. As a result, they needed to articulate a set of arguments to convince people why life insurance was a preferable variety of thrift. Tensions between saving and insurance had also accompanied middle-class marketing efforts, as when Charles Babbage had defended life insurance in 1826 as a prophylactic against squandering one's savings to meet "any temptation of luxury, or any unexpected expense" (34). But the stakes were higher, and the rhetoric consequently heightened, once the working-class market was tapped, since the lower levels of surplus income involved sharpened the choice between savings for a rainy day and spending money on a life policy.

Like savings banks, providers of working-class life insurance drew attention to their potential to relieve the burdens of poverty. The Alfred life office's 1856 prospectus, which promised to "preserve those who ought to be dearest to every man, from starvation, the workhouse, or the limited charity of strangers and relatives," was typical in this regard (6). Life offices departed from savings banks, however, by offering insurance as a way out of Malthus's thorny identification of early marriage with poverty. At long last, they argued, young men could follow their natural instinct to marry and have children without being saddled by Malthusian guilt. Elizur Wright, an American insurance evangelist who spent his formative years in Britain, captured this contrast in 1859:

> To the young man whose income is somewhat more than adequate to the unavoidable current expenses of a family, the life insurance company says: 'If nature bids you marry, and only Poverty forbids, obey Nature, and we will take care of Poverty. Do it now, in your prime, and let the next generation inherit from you all the strength and genius which the best conditions will allow.' The savings bank says: 'No, my friend, the voice of Nature is premature and imprudent. You had better wait a few years—half a dozen at least.' (3)

Telling working men that they were free to wed whenever they wished was another way of saying that they could not be counted on to postpone marriage. Life insurance, in this sense, offered itself as a more *realistic* preventive of poverty than the savings bank, since only life offices could guarantee that private savings would still be around to provide for working widows and children after the death of the breadwinner. Borrowing from the common upper-class practice that linked life policies to prenuptial marriage settlements, promoters of working-class insurance presented the policy as an augmentation of the marriage contract, which bound husbands to provide for their dependents even after his wedding vows had been severed by death. For Alexander Low of the Life Association of Scotland, life insurance forced working men to "contract... a kind of voluntary obligation of self-denial." Without this contractual obligation, he warned, "persons of smaller incomes are often tempted to surrender their savings at the year's end as too trifling to be appropriated for the benefit of their families" (1843: 28-29). The Commercial Life's 1840 prospectus similarly proclaimed that "the nature of the [insurance] Contract... enforces the Periodical payments, and permits no appetite or whim to interfere with the accumulation." To achieve this contractual obligation to save, life offices fined policyholders for sending in their premiums more than a month late, offered "surrender values" for lapsed policies that were worth less than half the policy's face value, and paid bonuses only after the policyholder died.

Behind all such warnings lay a conception of saving and spending that was much closer to the original ideology of the savings bank promoters than to the more tolerant approach which had replaced it after 1815. Life insurance pamphlets in the 1840s were quick to condemn the working man's propensity "to squander needlessly, and even to trench upon what he had already lain aside" (*Popular View* 35). The Star, a Methodist office which catered to lower middle-class clientele, presented a distressing census of wilful spending in its 1845 prospectus, making its way up the social ladder through "the tattered beggar, who hastens to the next ale-house with the few pence he receives; the labourer, who spends half his week's earnings in the same locality; the mechanic, who

must take his Sunday trip in a steam-boat; [and] the tradesman, who enjoys his month at the water-side."[1] Statements such as these fashioned a set of preventive checks against imprudence that emphasized the immediate pain of losing one's savings as opposed to more distant pain of poverty beyond the grave.

Despite their contrary perspectives on thrift, most advocates of working-class insurance in the 1840s did not follow the friendly societies in directly opposing their version of providence to that on offer by the savings banks. Low, for instance, was quick to concede that "[b]oth the Saving system and the Life Assurance system are necessary and useful" (n.d.: 5). One reason for their diplomacy lay in the fact that life offices at this time refused to collect premiums more than once a month, with many insisting on annual premiums and all charging extra for more frequent installments. Hence workers would need to find somewhere secure to store any surplus from their weekly earnings that they hoped to spend on an insurance policy. With this in mind, a life office promoter suggested in 1840 that people who wanted to take advantage of the lower annual rates "could easily... pay into a Savings' Bank a weekly or monthly instalment, and from which the amount of the premium might be transferred to the Assurance Office, at the end of the year" (*Popular View* 35). Other offices presented the life office as a sort of enhanced savings bank, which presented penalties to deter the saver from infringing on his deposits, and regularized the process by demanding the same amount every year. An Eagle sales brochure from 1847 reasoned that annual premiums "fall into the regular order of expenditure," and concluded that "these periodical savings form part of a large total, and are immediately called into active investment, in the success of which the contributer will participate." The General Life and Fire office similarly presented the yearly premium as "a fixed obligation... regarded as part of the annual expenditure."[2]

The problem with all such arguments was that they were much better at convincing middle-class onlookers that life insurance was virtuous than they were at convincing working-class customers to part with their money. The first generation of life offices made the same mistake, in other words, that the first savings banks had made when they restricted access to their members' savings in order to inculcate a higher form of thrift. The market for self-sacrificing working-class policyholders was wide enough (especially in Scotland, apparently) to ensure success for the first several offices that entered the field, including the National Provident, Scottish Provident, and Life Association of Scotland. When a second generation of offices tried to expand that market further—ever mindful of the millions who remained uninsured as of 1850—they soon discovered that something more was needed than scare stories about starving orphans and dire pronouncements on man's propensity to spend. One set of offices sweetened the message by adding the facilities of the savings bank to their insurance offerings; their largely unsuccessful efforts will be discussed in the next section. Far more successful were the industrial offices, working in tandem with non-profit collecting societies, which quickly gained ground among the uninsured masses by offering reduced coverage and greater convenience.

Industrial insurance offices worked by employing large numbers of salesmen who canvassed door-to-door in working-class neighborhoods. Unlike the earlier generation of offices, which seldom offered coverage for less than £50 and which required at least a month between premium payments, industrial offices were willing to insure the cost of

burial (as low as £5) and used their large sales force to collect premiums every week. Although policyholders paid for such convenience with higher premiums in proportion to the coverage—overhead ran as high as 55% in some collecting societies—the required outlay of only a few pence a week and the convenience of not having to send payments to a distant head office ensured the system's success. Furthermore, the new offices made a crucial discovery regarding the economic and social significance of burial costs in the working-class budget. Economically, even a £5 funeral stretched the means of a working-class household, the surviving head of which was often forced to borrow at usurious rates to raise the necessary funds; and high infant mortality meant the typical working family could expect several such burials in a two-decade span. In this context, even the costly option of industrial insurance qualified as thrifty. Socially, workers were easily convinced of the necessity of saving enough for a "proper" funeral, since the alternative of a pauper burial carried a terrible stigma (Johnson 43-47). All these factors led to huge financial success for the handful of companies and collecting societies that entered the market early enough to achieve the necessary scale. Success, in turn, led to a vocal backlash, especially among child welfare advocates (who tried to link the insurance of children's burials with infanticide) and friendly society supporters (for details see Alborn 2001).

The altered aims of industrial offices, while directly contributing to its success, required new justifications in order to merit their continued status as "thrift" institutions in the face of hostile criticism. Since the offices only paid enough to cover a proper funeral (as opposed to the financial support of widows and children), and since adult males comprised less than half of those covered by their policies, they could no longer argue that they were acting as surrogate breadwinners after a husband's death. Instead, they tended to equate thrift with "independence" through careful economy, by which they usually meant the capacity to avoid pawnshops and pauper funerals. Joseph Burn of the Prudential cited the "thousands upon thousands of cases" where "the death of a member of a family would, except for the insurance policy, result in the degradation of a pauper funeral, or... an attempt to avoid it by borrowing, where in the majority of cases the money-lending fiend would be the only available lender" (1907: 60). Working-class debt, in this scenario, appeared as an intermediate step between thrift and improvidence; Burn depicted borrowers as prone to "sink deeper and deeper in debt, until the knowledge of the impossibility of repaying either causes him... to seek to forget his troubles by means of intemperance" (60-61).

When they moved from these mainly negative definitions of thrift (i.e. the life office as a preventive of degradation) to more positive contributions, they echoed the Post Office's new emphasis on education. Indeed, Burn claimed in 1907 that the explosive growth of Post Office Savings Bank accounts since 1895 had been due to the industrial offices' success at encouraging habits of thrift prior to 1895 (61). One insurance magazine claimed in 1891 that industrial offices "had educated the people into habits of thrift, and had done more for their country than all the parsons and churches put together" (*Assure* 3: 60); Charles Dryden of the American Prudential cited the "educational value" of child insurance, which taught "habits of prudence, forethought and thrift at an early age when such lessons are most likely to be enduring" (12). Exactly what the life offices meant by "forethought and thrift" in such contexts is often difficult to discern, beyond a general emphasis on regularly setting aside a few pennies a week (see Dryden 73). Their

most tangible measure of thrift appeared when they considered the "ordinary" branch of business, which charged monthly or quarterly premiums for whole-life covered of £50 or more. Starting with the Prudential in 1886, industrial salesmen began to offer the option of this form of insurance, which came with bonuses and lower proportional rates, as they made their rounds; by 1909 the industrial offices were doing £7m in "ordinary" business yearly (Dennett 126). The Industrial Life Offices' Association drew attention to this success as a sign that their educative efforts had paid off, noting that they had "done a great work by means of their Industrial Staff of Agents and Superintendents in educating the workmen how they can secure small policies at what might be termed wholesale rates of premium."[3] In making this claim, they echoed the savings banks' claim to have "trained" depositors to be customers in commercial banks, with the significant difference that the life offices did not lose out on the business when a customer switched from one department to another. Through a combination of persistent marketing and increased surplus income among their customer base, they also succeeded where an earlier generation of life offices had failed, in convincing workers to buy enough coverage to last beyond the funeral party.

III. Unsuccessful hybrids

The phenomenal success of the Post Office Savings Bank and of industrial insurance proved in retrospect that savings and insurance were best practised in separate spheres, at least given the social and economic conditions of the late-Victorian period. At mid-century, this was not so obviosuly the case. The halting progress of working-class insurance up to that point, combined with the popularity of the savings bank movement, inspired several company promoters to offer both services in the same facility. Hence emerged what proved to be the short-lived history of deposit insurance in Britain during the 1840s. By the mid-1860s, when the popularity of industrial insurance was starting to become clear but its social value was still hotly disputed, William Gladstone came up with the idea of extending to that domain the same solution that was starting to show signs of rebuilding the shaken foundations of British savings banks. Hence emerged in 1864 the life insurance branch of the Post Office Savings Bank, which survived longer than deposit insurance (it was not formally abolished until 1928), but which was no more successful in its efforts to combine these two forms of thrift. The final section of the paper discusses in turn these two examples of failed hybrids.

(I): Deposit Insurance

Deposit insurance took its place among a series of new life insurance fads in the 1840s, each of which inspired the formation of a cluster of offices asserting special insight into the true cause of the industry's woeful unpopularity among the masses. Customers could find the facilities of a savings bank combined with life insurance at the United Deposit, the City of London, the City of Glasgow, or the United General offices (all established in 1845), at the Deposit and General (est. 1852), or by taking advantage of new deposit branches that were formed by a number of other companies. As was the case with most of the hundreds of new life insurance projects which formed in the decade after the passage of the 1844 Companies Act, their promises to expand the market for insurance far exceeded their actual accomplishments. Only one of the new deposit

schemes survived the 1850s—and that one, the City of Glasgow, dropped its deposit scheme within a few years of announcing it. The most successful were the City of London and Deposit & General, which merged in 1856, then were absorbed by the Eagle office in 1859; the latter quickly sold off its working-class business to the Prudential in 1861 (Syed 30).

Deposit insurance, as it was practised in these companies, offered single-premium coverage with the option of adding to the premium, or withdrawing all or part of it, at any time. Hence a thirty year-old man who deposited £2 with the Deposit and General office would immediately qualify for £2/10 in insurance coverage. The same man who paid £2 as an annual premium in the Scottish Provident would get nearly £100 coverage following his first payment. This huge disparity would only gradually diminish over time, as successive deposits increased the coverage in the former case and as annual premiums continued to mount in the latter. If a customer was lucky enough to reach old age, however, and also prudent enough to have saved a substantial sum, the advantage of deposit insurance was clear. Francis Neison, who served as consulting actuary for the Deposit and General, posited the case of a man who entered at age 20, lived to be 70, and paid in £10 a year. The £500 he had deposited would now cover his family for slightly over £1000, or alternatively would earn him the right to withdraw or borrow over £750 (13). The advantage here lay less in the amount of insurance, which was comparable to what an "ordinary" policy would pay once bonuses had been factored in, but in the option to convert that sum into a sizable pension—about three times what the same man could get as a surrender value for an ordinary policy.

One writer who was convinced that life assurance and savings banks should be merged into the same institution was Arthur Scratchley, actuary of the Western Life Assurance Society. Like most defenders of deposit insurance, he began by citing Augustus De Morgan's influential *Treatise on Probabilities*, in which the mathematician had claimed that "No one can form an accurate idea of [a life office] who does not consider it as a Savings Bank" (Scratchley 5) He pointed to the £28 million in deposits as of 1851 as a sign that savings banks had hit upon a successful "incentive to a provident spirit" (2); but lamented that "those excellent institutions offer only a *personal* profit upon investments, and but little advantage to the depositor's family" (10). Deposit insurance, he concluded, combined the savings bank's superior incentive structure—clearly lacking in existing life offices—with the life office's superior inculcation of other-regarding providence. Although Scratchley had nothing but praise for the new deposit life offices, he was just as happy to see trustee savings banks add deposit insurance to their existing services (assuming they could be reformed to address the recent scandals). To this end, he recommended that a clause to that effect be added to a Savings Bank bill that was under consideration (26).[4]

Defenders of deposit insurance softened much of the life offices' gloomy rhetoric regarding working men's spending habits. Instead of presenting the premium payment as an inevitable choice between frugal saving for the future and improvident spending on the present, they offered a number of reasons why the typical working-class policyholder should not always be held responsible for his failure to keep up insurance payments. As the City of Glasgow prospectus announced in 1845, "Nothing is more easy than to imagine cases in which a party may, from various unforeseen causes or temporary

embarrassments, be quite unable to provide for his premiums at the precise time they fall due" (6). These cases, as recounted in the promotional literature, included declining income with old age, and loss of employment due to poor health, commercial crisis, or new technology.[5] If promoters of deposit insurance could bring themselves to sympathize with all these reasonable obstacles to the regular payment of premiums, it was because they recognized them as obstacles to creating a mass market for life insurance. As Joseph Maitland of the United Deposit concluded: "it will be found impossible to persuade the very large class whose incomes are fluctuating in point both of time and amount, that any plan of saving is suitable for them... where they must, under penalties, continue to pay a specific sum on a certain day, annually, till they die, whether they have the means of doing so at the time or not" (5). Deposit insurance provided an adequate response to most of these problems. The variable income stream of most workers was easily met by allowing coverage to depend on the amount of money in the customer's account. Hence a man who "might desire to pay one year £25 or £20, another year £35 or £30" would "have the option in his own hands... as his necessities dictated" (Scratchley 11). Workers' apparent preference of paying in small installments was similarly addressed by adopting "the machinery of the Savings Bank... for receiving payments as low as pennies" (14). And the sudden onset of a present-day contingency such as unemployment could be met by withdrawing all or part of one's paid-up premiums plus their accumulated interest.

Despite these advantages, deposit insurance failed to take hold as a popular form of working-class life coverage. Its failure paralleled that of most other single-feature offices that formed in the 1840s and 1850s, which suffered from a shortage of capital for start-up expenses and from the general glut of new companies. As in the case of "indisputable" and "invalid" insurance (two other popular varieties which appeared at this time), existing offices had little difficulty liberalizing their offerings just enough to drive the new competitors out of business. In the case of deposit insurance, this meant providing better terms for lapsed policies and a new willingness to lend straitened policyholders enough money to cover their premium. And any chance that deposit insurance would make a comeback were dashed after 1880 by the rising popularity of endowment life insurance. These policies, which converted into annuities after fifteen to twenty years, solved the problem of declining income during old age in a way that did not sacrifice coverage in the early years of the policy. When industrial offices began to expand levels of working-class coverage at the end of the century, they often did so by selling endowment policies as the perfect way to protect against both premature death and penniless retirement.

(II): Post Office Life Assurance

When the Post Office first established its banking department in 1861, the presiding postmaster-general, Frank Ives Scudamore, envisioned nothing but harmony between government savings banks and life insurance companies. One of his first tasks that year was to secure group life insurance policies for postal officials with a number of participating life offices, and he urged other large employers to do the same in a pamphlet entitled *Life Insurance by Small Payments* (1861). In the same pamphlet, he echoed the life offices' earlier suggestion that working men might set aside their extra earnings in a bank account in order to meet the life office's yearly charge. "For the price

of six pints of beer per week he may insure his Life for £100," urged Scudamore. "At the end of the year, when his premium becomes due to the insurance office, he can draw the required amount out of the Post Office Savings' Bank, and, as that bank is also a Money Order Office, he can at once remit the premium... to the proper person. The interest which he will receive for his deposits from the Post Office Savings' Bank will be nearly sufficient to pay for the charge on the Money Order" (5-6).

The apparently snug fit between the Post Office Savings Bank and life insurance did not last long. Its demise was occasioned by the rise of industrial insurance and collecting societies, which took the place of trustee savings banks in the early 1860s on the list of "thrift" institutions most likely to be accused of bilking the poor. Fresh from his victory over the trustee banks, William Gladstone once again turned to the Post Office as a means of combatting what he saw as the unreasonably high cost of burial insurance. Correctly inferring that most of the excess cost lay in the canvassing for business and weekly collection of premiums, Gladstone argued that the thousands who were in the process of flocking to the Post Office Savings Bank branches around the country would be willing to make a special trip to buy burial insurance from the government at half the cost. Despite efforts by the industrial offices to derail government insurance before it started, he succeeded in securing the legislation. Both features of Scudamore's earlier pamphlet made it into the new scheme for post office insurance, which also offered deferred annuities. People with a deposit account were given the option of turning it into single-premium life coverage once the account had reached the necessary level (Lewins 366-67); and another clause of the new regulations enabled employers to divert a portion of their payroll to the post office each week in exchange for group life coverage (369-70).

In stark contrast to the Post Office Savings Bank, government provision of life insurance was an unmitigated failure. By 1875 the Post Office had issued 3600 insurance policies, or less than one per savings bank branch (*Hansard* 3rd ser. 225: 739). Onlookers who sympathized with Gladstone's original objectives constantly pondered what had gone wrong, without ever arriving at a practical solution to the scheme's woes. To the *Westminster Review* in 1869, the problem was that "Mr. Gladstone in his Bill took no care to provide for propagandism," and urged extra money for "lecturers and tracts" (36: 543). The insurance writer Cornelius Walford similarly hoped that "practical philanthropy could step in" to provide "earnest advocates" who would counter the claims of industrial insurance with appeals to the Post Office (V: 483). Such appeal recurred whenever the alleged failings of industrial insurance reached scandalous levels, as during Parliamentary hearings on infant insurance in 1888, or in the wake of a Fabian investigation into high expense rates in 1914. None of them faced up to the fact that "propagandism," in order to compete with the industrial insurance juggernaut, would have priced the Post Office out of the market; nor did they recognize the single biggest obstacle in the way of success, which was that the Post Office —wary of incurring the wrath of the child welfare lobby—was unwilling to insure babies.

The struggling insurance arm of the Post Office provided a wonderful form of free advertising to the industrial companies, which took every chance to contrast their colossal sales figures with the Post Office's trickle of new business. Frederick Bowles of the Pearl scoffed at the notion that the government could sell insurance without

employing an "army of door to door workers... carrying the doctrine of thrift as embodied in Life assurance into the homes of the people" (*Post Magazine* 57 (1896): 135) On the other side of the Atlantic, Charles Dryden called the British post office scheme "an uncalled-for interference with private enterprise and with the normal development of a social institution of great magnitude," and noted that there existed 14,000 industrial policies in Britain in 1902 for every Post Office policy (1909: 23). In 1951, the industrial offices' pressure group looked back on the "ignominious failure" of the Post Office scheme as evidence that working people preferred their canvassers' good cheer over the "red-tapeism" of state-employed officials: "The collector... who has been so often denounced as a parasite and an incubus, has been shown to be popular with the vast majority of the people whose premiums he collects. He is a trusted figure in innumerable small households, regarded as a personal friend, and constantly consulted about knotty financial problems, much as richer people consult the manager of their bank" (17).

If the Post Office posed no threat at all in its original goal of direct competition with industrial insurance, the continuing success of its savings bank did serve as a constant reminder to the life offices that they did not have a monopoly on the meaning of thirft. Although they did not ask their customers to make the financial sacrifices called for by middle-class offices, industrial companies still held policyholders to the basic tenets—common to all life insurance contracts—of long-deferred savings and a willingness to subsidize the misfortune of others. Savings banks, by enabling easy access to accounts and encouraging a self-regarding "investment" mentality among depositors, represented a real threat to the forms of consumer behavior that were necessary for the life insurance enterprise to run seamlessly. It was with this in mind that Joseph Burn complained in 1902 of the industrial policyholder who regarded "his assurance as a Penny Bank, and... endeavours to make (or get someone else to make for him) a calculation as to what his pennies would have amounted to had they all been accumulated a 5 per cent. compound interest (everything is 5 per cent. in this sort of calculation)." Once such a person started thinking along these lines, Burn lamented, he inevitably "discontinues paying his penny or pennies, and spends the money on stamps instead, writing up to the chief office" (364). What he neglected to mention was that life offices helped contribute to the problem of being viewed as a "penny bank" when they sold endowment insurance and encouraging customers to borrow on the security of their policy. But his basic point, regarding the problems entailed by contrasting attitudes about what it means to save money, remains as salient today as it was a century ago, the more so as the boundaries between banking and insurance institutions increasingly dissolve.

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[1] Pamphlet collection, Zurich Financial Services group archives, Cheltenham.
[2] Ibid.
[3] Industrial Life Offices' Association Minute Books, vol. 2. Guildhall Library, London.
[4] In the same publication, Scratchley recommended the extension of group life insurance to building society members, reasoning from the prevalent middle-class practice of purchasing life policies as security for loans: Scratchley 55-59.
[5] See, e.g., prospectuses of the City of London, United Deposit, and Deposit and General life offices. The Deposit and General prospectus mentioned the stable keeper as an example of a "particular occupation being superseded by the improvements of modern civilization," namely the railway (9).