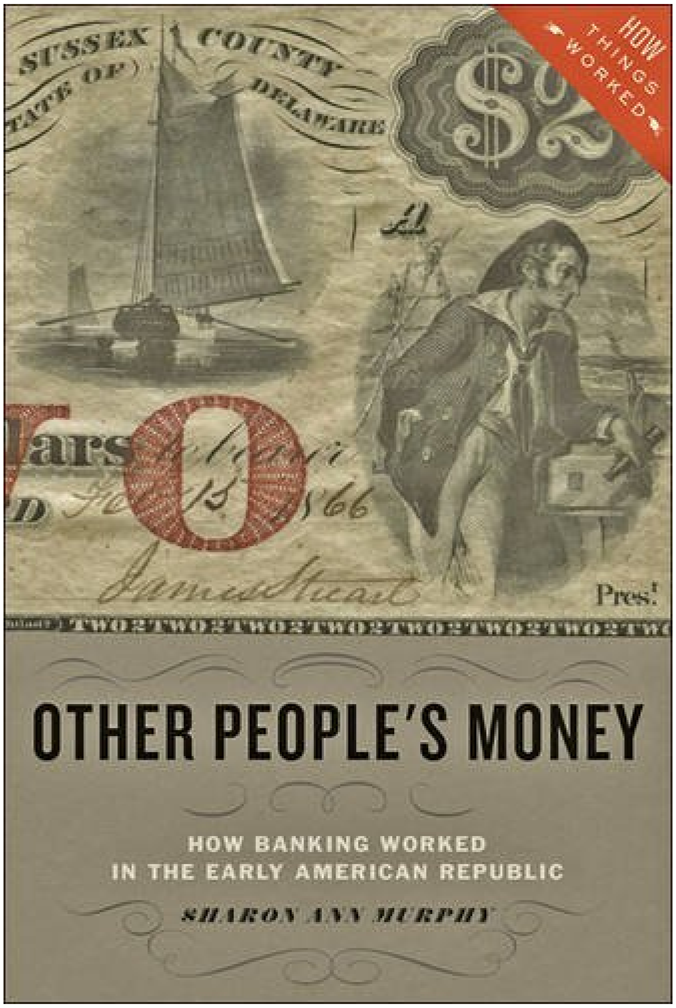
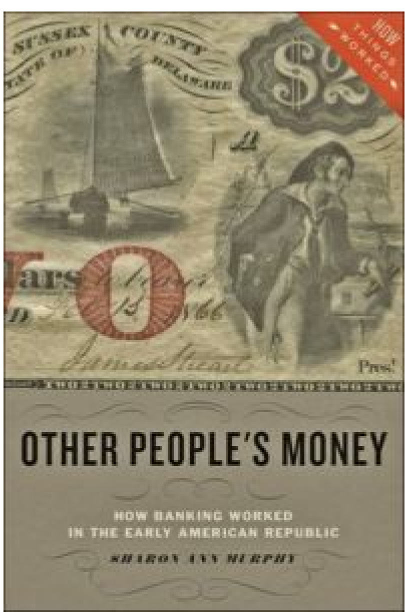
A Handy Handbook for Financial Historians





Sharon Ann Murphy, *Other People's Money: How Banking Worked in the Early*

American Republic. Baltimore: Johns Hopkins University Press, 2017. 208 pp., $19.95.

Few in the history profession, at least in the academy, can confidently assert that brighter days lie just around the corner. Economic historians in particular have had much to lament. In a recent essay, Sven Beckert observes that economic historians now reside almost exclusively in economics departments. Others have documented the decline of economic history relative to other sub-fields in the last forty years as shown in a survey of U.S. history faculty listings in the AHA's *Directory of History Departments, Historical Organizations, and Historians*. Amid this wholly justifiable sense of malaise and decline, there are a few signs of promise. The history of capitalism sub-field, which burst onto the scene in the aftermath of the 2008 financial crisis and subsequent Great Recession, has brought renewed vigor to the study of all things economic.

The latest publication from historian Sharon Ann Murphy, *Other People's Money*, affirms the import of financial history through a survey of money and banking from colonial beginnings to the Civil War era. Murphy writes, "money and banking played a critical role in the lives of everyday Americans in the nineteenth century, shaping the society in which they lived and worked," adding that understanding the financial history of this period "broadens and deepens our knowledge of the Early American Republic" (7). For Murphy, capturing Americans' long-standing and complicated love-hate relationship with banks requires us to look back to the formative years of the early nineteenth century and Civil War period, years that presaged our modern financial system.

Chapter 1 introduces the reader to basic economic concepts like barter, inflation, taxation, and public debt, showing how debates over these issues informed many of the most important episodes in the colonial and revolutionary eras. In chapter 2, Murphy uncovers some of the unresolved issues involving charters of incorporation that stemmed from the Constitution's ambiguous language. It is in chapter 3, entitled "How Panics Worked: The Era of the Bank War," that the author finds her groove, buttressing and enriching her analysis with salient primary sources. Consistent with recent scholarship emphasizing the global dimensions of the history of early modern capitalism, Murphy explains that the movements of specie and credit overseas, combined with peculiar domestic factors, produced disruptive financial panics in 1819 and 1837. The tipping points occurred when confidence and predictability, those elusive and intangible characteristics that greased the wheels of finance both then and today, suddenly evaporated. Murphy shows us in chapter 4 that early Americans fiercely debated the wisdom of fractional reserve banking, activist monetary policy, and the mixing of for-profit, commercial lending alongside the storage of public revenue in one financial institution. This was a notable feature of the nation's early central banks, the First and Second Banks of the United States. Chapter 5 offers an overview of the struggles faced by both Union and Confederate governments in raising revenue during the Civil War, including the printing of greenbacks and establishment of a nationwide system of federally chartered banks.

Other People's Money takes its name from the title of a book written by Progressive Era reformer, future Supreme Court justice, and intellectual godfather of the Federal Reserve, Louis Brandeis (165). Early twentieth-century reformers like Brandeis faulted the "money trust" for leveraging public money and depositors' savings into high-risk bets, too often making off with riches while the majority suffered. The Panic of 1907 was a case in point. For Murphy, there was a common thrust between those who lambasted the immense concentrations of wealth and power epitomized by robber baron J.P. Morgan and the impetus behind Andrew Jackson's Bank War. In both instances, average Americans knew that the game was rigged. The wealthy were picking winners and losers in violation of the principles of free market capitalism (167).

Murphy is concerned less with the degree to which financial institutions contributed to, and were shaped by, the early stages of the industrial revolution—a historiographical debate explored by previous scholars—and more with how early Americans experimented with new financial mechanisms and institutions through a process of trial and error. Often it was a calamitous financial panic, such as the famous one of 1837 that bankrupted the South's plantation banks, or some other convulsive, watershed moment, such as the Civil War, that impelled financiers to rethink their assumptions and opt for a more efficient system. In other instances, important developments emerged gradually. Such was the case with investment banking—brokering and underwriting stocks and bonds, often to overseas investors—which capitalized much of the nation's transportation infrastructure, or the interbank cooperation and clearinghouse systems that made the Panic of 1857 less damaging than it would have been otherwise.

One of Murphy's contentions is that historians have described the political dimensions of major conflicts like the Bank War without providing sufficient economic context. Political cartoons of the era, she notes, tended to focus on the political battle between Jackson and Nicholas Biddle while only a few raised broader concerns about the economic implications of Jackson's policies (96-97). One can agree with this claim in the main while at the same time holding that Murphy might be overstating the case. Even when biographies and histories of the antebellum era have maintained a predominantly political focus, they have, by necessity, delved into the economic conflicts that helped define the presidencies of Jackson and others. Specialists will find some overlapping content with Howard Bodenhorn's excellent 2003 study, *State Banking in Early America*, particularly in the earlier chapters, and may at times yearn for the inclusion of a few more secondary sources in the endnotes and "suggested further reading" section. On the other hand, Murphy's book, the latest release in the How Things Worked series published by Johns Hopkins University Press, is not a monograph. The abbreviated notes and suggestions for further reading reflect an editorial decision in consideration of the book's targeted audience, and specialists, being specialists, already know where to look for more information. *Other People's Money*, thus, works in a variety of educational settings. First-year graduate students who show an inkling for financial history (gasp!) will find a useful primer here. Professors teaching specialized classes in business history, the history of capitalism, and economics for non-economists (this class should be more widely taught) can assign it. Because the sheer number of different financial institutions and credit instruments of this era is daunting even for experts, they can keep this on their bookshelves or digital devices as a quick reference. Non-academics interested in early American history will also find this book accessible.

The strengths of this work are numerous. In addition to narrating some intriguing vignettes on Abigail Adams, Benjamin Franklin, and Herman Melville, this book contains a fascinating array of cartoons and images of credit instruments, many of which are drawn from the author's extensive personal collection. Murphy's writing is also straightforward; her analysis, insightful. Financial history presents many challenges. To grasp its intricacies, one needs to know, for example, how a bill of exchange worked; what reserve ratios are; how panicky borrowers, reacting to information asymmetries, can imperil an entire economy. It requires immense skill to take complex, abstract, and highly technical accounting principles and explain them to the reader in digestible ways. Murphy is more than up to the challenge. She summarizes a great deal of content and manages to pack a lot of information into a few words with lucidity and clarity. Economic concepts are explored in this book, but without the intimidating formulas and regressions that would normally send students accustomed to a predominantly narrative-driven discipline running for the hills. Importantly, Murphy demonstrates an agile, dexterous familiarity with financial terminology so that she can explain definitions succinctly without sacrificing complexity. At the same time, she shows how these definitions fit together—a clear improvement over some of the more convoluted works of financial history that came out of the mid-twentieth century. This is economic history as it should be written.

Post-2008, understanding the relationship between banks and recessions became paramount. There continues to be no shortage of craven politicians and pundits who fear-monger about debt and inflation while deliberately minimizing social welfare. Each year their apocalyptic predictions fail to materialize, but sadly, their platforms remain. When expertise that scholars have worked decades to develop is cavalierly dismissed as "elite" while abject ignorance is touted as a defining feature of what it means to be a "real" American, a back-to-the-basics, jargon-free approach to financial literacy is more essential than ever. In the world of antebellum-era finance, to find out how things worked, as the series title indicates, here is an ideal place to start.

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