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BOOK REVIEWS

Jeffrey Sklansky, *Sovereign of the Market: The Money Question in Early America* (Chicago: University of Chicago Press, 2017), pp. 336, $45 (hardcover). ISBN: 9780226480336.

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Jeffrey Sklansky opens his volume with three questions: "What should serve as the standard of value and the means of payment, who should control its creation, and according to what principles?" (p. 7). Throughout United States history, these questions have begged several others. Should the country rely on specie money exclusively? Or, should it supplement hard currency with paper money? And if paper currency, should the paper currency be issued by governments (bills of credit), individuals, and partnerships (negotiable bills of exchange), or banks (banknotes and deposits)? And if by banks, should they be owned wholly by the state, wholly by private shareholders, or by some combination of each? Sklansky explores the so-called currency question during the colonial period, the Age of Jackson, and the Progressive Era by juxtaposing intellectual biographies of two men who took opposing positions at each of these three junctures. Early on the author promises to highlight "the ways in which the monetary order was the outcome of protracted class conflict" (p. 11), but the evidence marshaled in support of this claim is unpersuasive.

The volume opens with the colonial-era debate over state-issued bills of credit. By the eighteenth century, a majority of Americans agreed that commerce was a key to individual and collective prosperity. A majority also agreed that the key to commerce was an adequate medium of exchange. The colonies' chronic trade deficit with the metropolis meant that specie was in short supply, which hindered trade and diminished profits. The colonial solution was the bill of credit, which was issued in anticipation of future taxes. As government-issued small-denomination zero coupon bonds that served as currency, bills of credit were an ingenious solution to the colonies' chronic specie shortage.

In addressing the colonial currency question, Sklansky pits John Wise, a Harvard-educated populist, son of an indentured servant who was called to the ministry, the American Revolution, and political economy (p. 24), against William Douglass, a physician and natural historian with interests in botany, meteorology, geology, and political economy, and son of a Scottish laird (pp. 57–58). Both men viewed trade and truck as the lifeblood of colonial economies and an adequate currency as the lifeblood of commerce. An economy without an adequate currency would become "like Stagnate waters, in Pits and Mud-holes," writes Wise (p. 52). As such, each approved of the issuance of colonial bills of exchange. They differed mostly in their definitions of "adequate" and who should be entrusted with authorizing new issuances. Wise, who failed to grasp the quantity theory of money, advocated for a popularly controlled paper currency. He believed that a popularly elected legislature would be responsive to the needs of middling farmers. Douglass, who understood the quantity theory and even offered a rudimentary rational expectations analysis of inflation dynamics, expressed

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concerns with currency issues voted on by middling debtors who faced incentives to reduce the real value of their debts. His concern was that a debtor majority would usurp the natural right of creditors to realize a fair return on their debts. Sklansky does not compare the implications of Wise's inflationist impulse and Douglass's conservative monetarism on credit and investment. Rather, he casts the disagreement as "class conflict"—landholders and farmers versus merchants—which fails to appreciate the colonial reality that men could be both, and that both were debtors and creditors, sometimes simultaneously.

Sklansky's volume suffers particularly in his depiction of the Jacksonian era through the lens of two participants: William Leggett and Nicholas Biddle. These two were chosen, no doubt, to reinforce the class-struggle interpretation of the era. Leggett, a man from a humble background, seems the appropriate counter to Biddle's privileged upbringing. One problem with using Leggett, as Sklansky himself recognizes, is that neither Leggett's literary style nor his audience had much use for nuance. Leggett's writing embraced the contemporary melodrama "in which every character, setting, and scene disclosed an unambiguous message" (p. 103), and his opinions on banking—like his Jacksonian audience—ranged from the complete abolition of banks and paper currency to complete laissez-faire free banking. Leggett was neither an economic nor monetary theorist; he was a newspaper columnist with a columnist's inclination to stir the pot.

If Sklansky had actually wanted to understand the politics that led to free banking, he should have been better served had he juxtaposed Thurlow Weed and the insurgent Antimasons, an 1820s political movement that abhorred special privilege in all economic endeavors, including money, credit, and banking, to Biddle's waning National Republicans. In doing so he may have come to understand that the monetary debate of the Jacksonian era was not "between wealthy creditors and impoverished debtors" (p. 160). Leggett wrote in the tradition of the Antimasonic crusade against the corrupting forces that permeated a system under which a political (not economic) elite distributed political favors and economic privileges, including the privilege of issuing banknotes, to fellow party loyalists. The Antimasonic challenge to Democratic rule did not pit moneyed capitalists against an "emerging farmer-labor bloc," as Sklansky would have it (p. 147). Antimasonic egalitarianism originated not among the proletariat but among a bourgeois coalition of middle-class and upper middle-class lawyers, merchants, shopkeepers, and market-oriented farmers who were more harmed than helped by the economic policies of a Democratic party whose leaders were also middle-class lawyers, merchants, shopkeepers, and farmers (Formisano 2008).

Sklansky is correct insofar as he considers the Jacksonian-era debate as a pivotal moment in American history. But he misses the real import of the change that Leggett advocated for: namely, New York's free banking law, which historian L. Ray Gunn (2001, p. 229) contends is "one of the most important pieces of legislation in the first half of the nineteenth century." The law represented a genuine transformation of the state's role in economic matters. Incorporation was converted from legislative prerogative to administrative procedure. Leggett, like the Antimasons before him, sought to depoliticize the for-profit business corporation in all its many forms, including banks as suppliers of currency. In adopting a general incorporation law, the era's reformers simultaneously addressed the issues of corruption, monopoly privilege, and equality of opportunity. Antimasons, Whigs, and Democrats were not class-conscious levelers; they sought equality of opportunity, not equality of outcome.

For the Progressive Era, Sklansky juxtaposes Charles Macune, whose humble background led him to the farmers' cooperative movement, and Charles Conant, a financial journalist and student of financial crises who could trace his ancestry to the founding of the Plymouth colony. Macune adopted a neo-Smithian economics that divided labor into producing and non-producing classes. Macune also argued that the money monopoly should be replaced by a subtreasury system that would issue currency through crop loans. Whereas Macune's concern was with the preservation of yeoman America, Conant was much more concerned with how finance would support entrepreneurship and the emergent industries of the second industrial revolution. Innovation drove economic growth, and an expansion of banks of issue would promote innovation.

The currency problems of the Progressive Era were, of course, the inelasticity of the currency, two major financial crises, and persistent deflation. The inelasticity resulted from regulations placed on national banks, and many proposals for how best to solve the problem were put forward, including Macune's subtreasury system and Conant's call for the expansion of state banks. The deflation also created what Ben Bernanke labeled a savings glut. Conant wrote of the "staggering growth of surplus savings," which created the conditions under which banks formed the "crucible of crisis" (p. 226). It is not surprising that a flush banking system with limited investment opportunities would find ways to circumvent regulations and accept risks that left them vulnerable to macroeconomic shocks.

Sklansky focuses on three important eras. His choice to focus on two participants at each juncture, however, fails to illuminate the complexity of debates that cut across political affiliations and occupations, as well as more and less urbanized areas. It is a challenge to reconcile this fact with an insistence that the debates were the product of class conflict, and Sklansky's efforts are not terribly convincing. In each era, each side's rank and file included the working classes and yeomen, the merchant classes, and the elite. There were debtors on each side; there were creditors on each side.

To my thinking, the Wise–Douglass, Leggett–Biddle, and Macune–Conant debates are as much about popular versus technocratic control of the currency as they are contests riven by "class divides as well as new forms of class solidarity" (p. 250). The debates pitted the spirit of an egalitarian, inclusive, freewheeling New England town meeting against, say, Nicholas Biddle's "Olympian vision" of a financial system controlled by a benevolent monopolist maximizing a loosely defined social welfare function. The debate lives on. And debates over financial regulation are worthwhile in every era. Sklansky offers some valuable historical insights, but his insistence on casting it within the context of a Marxian class struggle—more assumed by the author than revealed—distracts more than it informs.

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