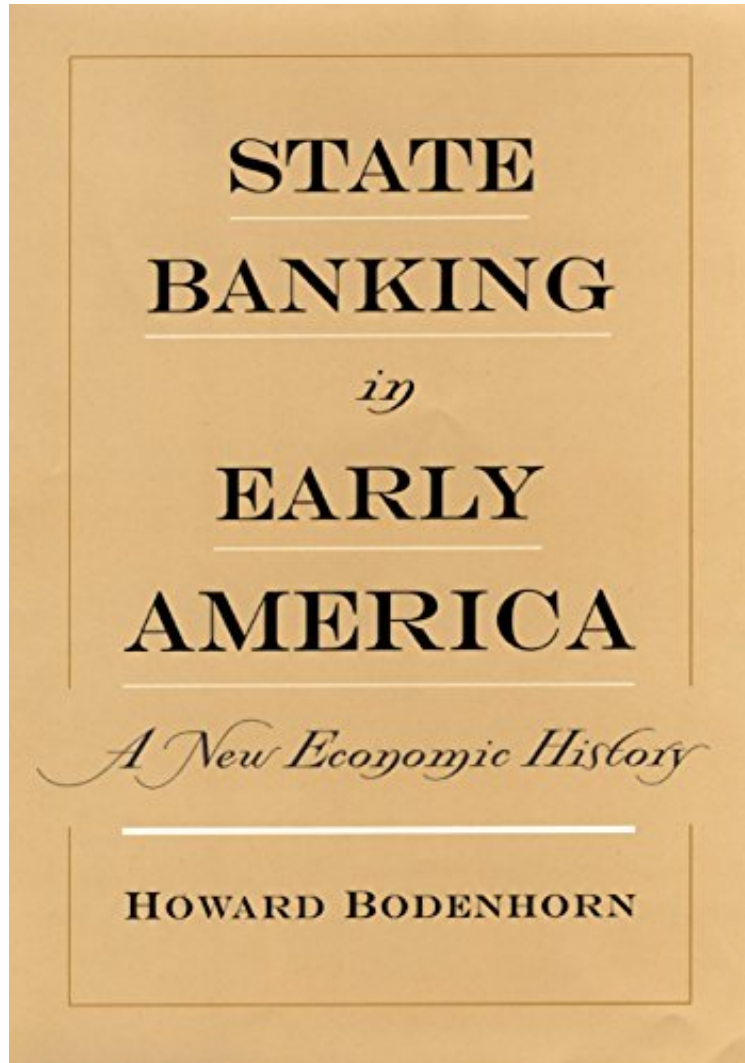


State Banking in Early America: A New Economic History

Howard Bodenhorn

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Howard Bodenhorn : State Banking in Early America: A New Economic History before purchasing it in order to gauge whether or not it would be worth my time, and all praised State Banking in Early America: A New Economic History:

5 of 5 people found the following review helpful. Objective Take on Antebellum Banking By John Mugge Howard Bodenhorn's State Banking in Early America can be recommended from a number of perspectives. Taken as pure history, State Banking sheds light on this period in American history with its competing political and world views, especially as one sees the different approaches to banking in the different parts of the country. As a treatise on the nature of banking this volume has many insights as it examines the diverse forms banking took in this period of experimentation and westward expansion. The different regions of the country had different attitudes and

circumstances, and it is fascinating to read how these various factors played into the different approaches to banking. Furthermore, as Bodenhorn tells the story, one can reflect upon one's own tendencies with regards to economic philosophy and see if the events of this period confirm or dispel one's own expectations. These different perspectives certainly overlap, but are worth separating out in order to appreciate their respective values. With regard to taking this book as history, it is helpful to already have a grasp of colonial and early American history. In other words, one would not want to turn to Bodenhorn's book in order to introduce oneself to the antebellum period. It is most helpful to know something about Hamilton and The First Bank of the United States, Jackson and the killing of The Second Bank, Clay and the various compromises, and the big debate regarding tariffs and protectionism that created the divide between north and south. An understanding of the diverse forms of banking that existed during the antebellum period adds depth to the history of this period. Bodenhorn's detailed examination helps to overcome many of the unwarranted assumptions people have nowadays of banking in this period. Banking itself is still an issue of controversy these days. Some schools of thought for example want to do away with the Federal Reserve. Some, like Murray Rothbard and Ron Paul, want completely free banking unfettered by government interference, and some like Ellen Brown promote banking run by the state as exists today in North Dakota. There are many other views of banking as well, many bemoaning the loss of Glass-Steagall type regulation of the financial industry, whereas the trend nowadays is towards a decline in regulation combined with government intervention to prop up big banks in trouble. State Banking in Early America should be essential reading for anyone concerned with these and other debates regarding banking. Bodenhorn demonstrates how a great variety of banking systems met with success in the antebellum period. And the special thing about this volume is that he presents the material with seemingly no ideological axe to grind. He comes from a disciplined academic perspective and therefore stands aloof from ideological debate, past or present. The conclusions he draws are based on extensive research and solid evidence. And this rather objective study of banking also has the potential to lend itself to consideration when pondering economics more generally. In the context of economic philosophy in nineteenth century America, one would benefit greatly from exploring Michael Hudson's America's Protectionist Takeoff 1815-1914. In this work, Hudson examines the American School of Economics as it arose in the great debate over tariffs, internal improvements, and central banking. Hudson's book reveals how the economic debate between so-called free trade versus protectionism was much livelier than modern academics will admit. While Hudson examines the theorists of the nineteenth century and their various contributions to the intellectual debate, Bodenhorn relates how banking was actually practiced. In two very different but complementary ways these authors contribute to the historical perspective on the evolution of politics, economics, and finance in early America, and once encountered one realizes the impossibility of fully understanding the modern day positions without understanding their histories. From each of these perspectives, State Banking in Early America is worth the time invested. If there is to be a note of caution, be warned that there is a certain amount of banking jargon involved. A glossary would have helped the uninitiated. Furthermore, Bodenhorn's turn of phrase can seem a bit dry. But the page or two where he writes up a conclusion at the end of each chapter is most helpful. And the final chapter in which he offers a summary is surprising in that it seems so limited - surprising because so many questions can arise in the reader's mind throughout. One would love, for example, to see him say something about the banking and monetary measures taken by the Lincoln administration during the Civil War, as well as the measures taken in the years afterward. For that matter, one would like to hear him comment about banking in the south during the Civil War as well. But alas, he leaves us in the 1850s. Then again, what good book doesn't leave us asking for more?

Howard Bodenhorn's *State Banking in Early America* studies the financial experimentation that took place in the United States between 1790 and 1860. Dr. Bodenhorn's book explores regional differences in banking structures, which bear indirectly in the connection between financial and economic development. If a single theme emerges, it is that the United States benefitted from its free banking philosophy in which state governments, rather than a centralized authority, created financial structures designed to serve specific, local needs. Thus decentralized federalism provided state legislatures with a great deal of flexibility in their individual approaches to economic and financial issues. The important lessons to be learned from Dr. Bodenhorn's historical account are that successful banking systems are flexible, predictable, and incentive-compatible; they meet the needs of the borrowers, depositors and shareholders, and they reduce downside risks to generally agreed upon levels. These lessons imply that we cannot, a priori, define an optimal, one-size-fits-all banking system. We need to know something about the formal and informal institutions underlying an economy and about the risk preferences of its citizenry. Historically, outsiders view Americans as experimenters and risk takers. Nowhere is this experimentation and risk taking more apparent than in early American banking policies.

"Professor Bodenhorn has provided students of American business history with a thoughtful, well-written account of the role of state-chartered commercial banks in furthering the material progress of antebellum America."--Business History About the Author Howard Bodenhorn is at Lafayette College.