A Sociology of Financial Conflict

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What is the nature of money, credit, and banking in capitalist economies? Recent efforts in political economy, neo-institutional economics, and sociology approach this question by arguing that information is scarce, valued, and subject to manipulation; and that actors face particularly difficult challenges when, in order to price services and goods, they have to rely on information that is neither available nor potentially verifiable; on information that, only in some distant future, may or may not turn out to be accurate – in a word, on promises. Three myths, I argue here, spring from the information-centered premises of these approaches: in the "myth of fungible money," money is understood as a neutral means of accounting for value – and thus as an instrument that serves to establish commensurability among qualitatively different commodities. In the "myth of banks as institutions of intermediation," banks are defined as organizations charged with the allocation and distribution of scarce financial resources (capital): banks intermediate between savers and spenders. In the "myth of creditworthiness as objective assessment," the criteria by which borrowers are granted credit are understood to be a function of the traits of the borrower: the better these criteria capture such underlying traits, the better the odds that the financial obligation will be met in the future. This paper replaces these myths with a sociological set of concepts intended to capture the dynamics of financial conflict. It uses a comparison of the banking systems of 19th century United States and Italy to illustrate its usefulness.

What is the nature of money, credit, and banking in capitalist economies? Recent efforts in political economy, neo-institutional economics, and sociology approach this question by arguing that information is scarce, valued, and subject to manipulation; and that actors face particularly difficult challenges when, in order to price services and goods, they have to rely on information that is neither available nor potentially verifiable, on information, that is, that only in some distant future, may or may not turn out to be accurate – in a word, on promises.[1] Credit, in this view sensitive to the problem of information in a world of potential deceit and malfeasance, is a matter of judging the quality of these promises, granting access to money as "generalized purchasing power" to those who deserve it; and banks are depicted as the institutions that, when properly organized, best carry out this function. The coordinating *role or function* that money, credit, and banking play within capitalism foregrounds these analyses.

In this paper, I take issue with the premise that informational problems constitute the foundations of money, credit, and banking. In fact, I argue that three myths underlie such a conceptualization. In what I call the myth of fungible money, money is understood as a neutral means of accounting for value – and thus as an instrument that serves to establish commensurability among qualitatively different commodities. This myth springs, most notably, from classical sociology, but characterizes economic understandings of markets as well. In what I call the myth of banks as institutions of intermediation, banks are defined as organizations charged with the allocation and distribution of scarce financial resources (capital): banks intermediate between savers and spenders. This myth characterizes most writings in the financial literature. Finally, in what I call the myth of creditworthiness as objective assessment, the criteria by which borrowers are granted credit are

1 This approach characterizes literatures as disparate as the comparative analysis of capitalist systems (Hall and Soskice 2001); the economic history of financial systems (Allen and Gale, 2000; Verdier 2003); the sociology of banking (Stearns and Allan 1996; Carruthers 2005, 2011); the sociology of money (Helleiner 2003); and, of course, neo-institutional economics (Williamson 1975, 1994)

understood to be a function of the traits of the borrower: the better these criteria capture such underlying traits, the better the odds that the financial obligation will be met in the future. This myth characterizes writings in the sociology of stratification and inequality.

Appreciation of the nature of these myths, I claim, is essential to understanding how finance is not aimed at facilitating coordination, but is structured by, and mobilized in, conflict.[2] By understanding finance as a realm of conflict, in turn, we can delineate two general strategies that characterize it - strategies I crystallize from an attentive, and so far neglected, reading of Schumpeter's theory of banking. One is an exclusionary strategy, aimed at creating steep barriers between those who can legitimately issue, control, and hold money and credit in particular forms (a *conservative* strategy), leading to a cohesive banking system committed to binding, collective identities. The other is an inclusionary strategy, one that challenges, and attempts to transgress, the very barriers set up by conservative bankers, and thus weakens the commitment to existing identities (what I call a *wildcat* strategy). Attention to organized financial groups and the ideologies they propagate thus reveals that struggles over boundaries are constitutive of finance, rather than aberrations of its otherwise functional logic.

I begin by discussing each of the three myths that surround money, credit, and banking. I then make a case for the advantages of a view that privileges conflict to coordination. I use a historical comparison of the organization of the banking systems of two 19th century polities, the United States and Italy, to emphasize that the logic that informed the approach to credit of each country's top bankers differed. US bankers claimed that the assessment of reputations was central to their business, whereas Italian bankers privileged economic nationalism. I argue that these differences did not originate with

2 The centrality of conflict to capitalism is one of the main themes in the classical sociology of Marx, Weber, and Schumpeter, but none of them developed their insights for the specific case of finance. However, the production and control of money and credit are means for the collective appropriation of resources so that some groups will benefit, and others be excluded from it.

processes extraneous to finance, but were the result of different ways of organizing financial conflict in different institutional contexts.

The Myth of Fungible Money

The "myth of fungible money" derives from a large, mostly polemical literature, dating back to the writings of Karl Marx and Georg Simmel, which identifies in money the power of transcending any and all social boundaries that individuals may erect to contain its spread – and the spread of commercialization and cold calculation that money brings with it. *Non olet*, Marx (1921:24) puts it in the first volume of Capital, thus referencing Roman Emperor Vespasian's quip, upon imposing a tax on public lavatories: money does not smell. For Marx, money is a "universal equivalent," deriving its power precisely from its detachment from commodities, rather than from its origins, no matter how undignified they might be (Fine and Lapavitsas 2000). Moreover, Marx argues, because commodities embody human labor but mystify their nature by appearing as objects devoid of human content, and because money further increases the abstractedness of the commodity form, money serves to reinforce the fetishism of commodities and thus workers' alienation under capitalism – it serves as a kind of thick or "double" veil (Ingham 1996).

Simmel joins Marx in thinking of money as anonymous and depersonalized. But he pushes the idea of the transformative power of money in a different direction from Marx, to argue that money is freedom, a freedom that entails a high cost: "modern man is free, free because he can sell everything, and free because he can buy everything […] [T]hrough money, man is no longer enslaved in things, so on the other hand is the content of his Ego, motivation and determination so much identical with concrete possessions that the constant selling and exchanging of them - even the mere fact that they are saleable - often means a selling and uprooting of personal values" (Simmel 1990:404). With money, in short, comes modernity (Poggi 1993), and in particular, a detachment from more traditional sources of authority and identity – a theme further developed by anthropologists who witnessed, in regions newly exposed to the market, the demise of "special" monies (monetary tokens that pre-existed the market economy and circulated in restricted spheres of exchange, characterized by specific obligations and loyalties, and never by a market logic of free exchange), and their replacement with modern money (Polanyi 1944; Bohannan 1959; Parry and Bloch 1989).

Marx and Simmel, in short, make fundamental contributions to a tradition of a thinking of money as a "cold cash nexus" that dehumanizes social relations, deprives them of content and emotion, and subjects them to an alienating form of rationality. But the idea that money serves as an instrument of commensurability underlies not only critical views of capitalism (e.g. Berman 1983). Rather, it is an essential premise of any economic analysis of markets, for without a "numeraire" within which prices can be expressed, markets cannot function. In the mainstream tradition of economics (based on marginalist assumptions), the hypothesis is that the numeraire emerges spontaneously (Menger 1892), but there is disagreement on this – especially among those who espouse neo-chartalism (Keynes 1930; Smithin 1994; Ingham 2004). In the main, however, the possibility that the actual forms taken by money, and the ways that these forms are used, may be dependent on the relations through which these monetary media are assigned to particular kinds of people, and thus circulate in certain networks, and not others, becomes an intractable problem in economic theory. Money must serve as an abstract unit of accounting for value, and thus its nature can only be defined in terms of commensurability (Fine and Lapavitsas 2000; Ingham 2001; Dodd 2006; Ingham 2006; Bryan and Rafferty 2007).

The fact that money is, in reality, differentiated into multiple forms, is irrelevant to such an understanding of the nature of money. Yet with the emergence of new ethnographic studies of money –

most notably, Viviana Zelizer's (1994) work on the attempts of the early 20th century US government to create a homogeneous monetary system – sociologists have begun to understand that, counter to the predictions of Marx, Simmel, and neo-classical economists, money continues being segregated and "earmarked" in modern contexts as well. Individuals continue making meaningful and consequential distinctions among payments depending on their source, direction, and intended use: thus, for instance, tips differ tremendously from cash gifts or compensation mandated by a court of law (Carruthers and Espeland 1998; Zelizer 2005b; Fourcade and Healy 2007). As social relations become more differentiated, in fact, money becomes more differentiated too. To put it differently, the special monies of so-called primitive societies do not disappear, so the all-pervasive commensurability of modern money turns out to be an exaggeration.

That money is fungible becomes a mythical proposition in light of the micro-sociology of money. But because this literature has focused primarily on the uses of money by marginalized groups, and on everyday monetary uses, it has debunked the "myth of fungible money" only with respect to actors who are interstitial to the official economy, and primarily only with respect to the use, not the production, of money. So its impact on an understanding of moneys other than those circulating outside the mainstream banking system has been relatvely weak. For instance, this literature has not developed a theory of financial instruments (Dodd 2005). In a more recent, and more structural view of money developed by Zelizer, Tilly and Collins,[3] different forms of money, including 'official' ones like stocks

3 Zelizer's path-breaking study of how money acquires meaning, based on diffuse but mundane monetary practices such as tipping or gift-giving, that is, has recently developed into a more structural account of how "circuits of commerce" come about. Circuits are full-fledged networks defined by strong boundaries against outsiders, shared understandings about how commercial transactions interpenetrate other social exchanges that take place within the network, and common media of exchange that tend to lose value or become altogether unacceptable outside the boundaries of the network (Zelizer 2001, 2005a, 2010; see also Collins 1995, 2000). Paradigmatic cases are migrant remittance networks, known for their inventiveness in coordinating large sums of payments through cross-national borders, often with specifically devised currencies and units of account, as well as shared understandings of what remittances should be spent on (Zelizer and Tilly 2006). Another example is the proliferation of local currency schemes with their elaborate systems of allocation and accounting (Zelizer 2005b). In this view, money in general, and not just in its uses, is defined by its un-fungibility.

and bonds, to the extent that they circulate in different "circuits," are linked to different social experiences and thus are not commensurable. But this perspective still faces the challenge of specifying the conditions under which money transcends, rather than reinforces, the boundaries of the distinctive circuit in which it circulates (Polillo 2011a). In other words, the micro-sociology of money lacks a theory of the social organization of credit.

The Myth of Banking as Intermediation

To the extent that one of the primary tasks of banks is to preside over the allocation of credit and financial resources, investigating how they make such distributive decisions should be of great interest to studies of money. Just like money, banks tend to be specialized and differentiated (Haveman and Rao 1997). Yet a myth of banks as institutions of intermediation permeates scholarly approaches to this question. This is the idea that banks are neutral institutions, whose spread (when unhindered by extraneous factors) produces a more efficient allocation of resources, because the main function of banks is to connect savers to borrowers. Further, because of the assumption of fungible money that has characterized classical sociological thought, sociologists have paid relatively little attention to banks – with some notable but also rare exceptions (Carruthers 2011)[4]–thus leaving the field to political economists who have, in turn, treated banks as essentially secondary to more fundamental processes of resource accumulation. Because of great variation in financial systems,[5] a large literature has focused,

4 A critical literature that goes by the rubric of power elite theory has made several crucial contributions to a fuller understanding of the role of banks in the capitalist process (Mills 1956; Domhoff 1967; Mintz and Schwartz 1985; Mizruchi 1982; G. F. Davis and Mizruchi 1999). Partly drawing from classic Marxist authors writing on finance capital, such as Lenin and Hilferding, power elite theorists have emphasized the controlling role banks exercise over firms by virtue of their access to capital. Yet these theories have not probed the sociological determinants of money itself – and so their empirical findings on the variable strength of banking hegemony in the capitalist system have remained somewhat undertheorized (Mizruchi 2004).

5 Some have historically been more oriented towards the financing of industry and the collection of deposits, while others have generated more specialized institutions operating through the stock market (Gerschenkron 1962); some have been more territorially embedded, others more exclusively oriented towards national and international transactions (Ingham

and disagreed, on what system is more economically efficient (Calomiris 1995; Fohlin 1999) at the expense of engaging directly with what bankers actually do.[6] Important exceptions exist within the economic camp too (Guinnane 2002), but in the main, however, economists and scholars in political economy more generally tend to espouse the traditional view that bankers are specialists in *intermediation* (Diamond 1984; Allen and Gale, 2000). One influential instance is the burgeoning "varieties of capitalism" literature, one that, in its sophisticated attempt to map out different models of capitalism, poses mechanisms of coordination between firms and governments to be neutrally transmitted through credit policies, without paying attention to those who materially implement those credit policies themselves – the bankers.[7]

1984); some have been strictly controlled by governments, others have enjoyed more autonomy (Zysman 1983).

6 A neo-liberal theory broadly in favor of banking liberalization has thus emerged, prior to the 2007-8 financial crisis, to praise the advantages of free financial markets and even large banking institutions. For an example of the former, in a celebratory, influential, if somewhat ill-timed argument about the centrality of free financial markets (and desirability thereof) to capitalism, Rajan and Zingales (2003) thus assert that finance is the primary vehicle for the spreading of economic opportunities –even the reduction of poverty (money and credit are fungible, their allocation only hindered by non-economic variables); but they add that financial markets should be liberalized so as to counteract the tendency of vested interests and incumbents to monopolize access to market advantages and opportunities ('bad' bankers should be prevented from infringing on the activities of 'good' bankers). Banking should be freed from the twin "tyrannies" of "collateral" and "connections:" namely, the widespread reliance of creditors on demonstrated, past ability to repay on the part of the borrower (rather than the intrinsic value of what she intends to do with the money), and their equally common reliance on personal connections as a way to guarantee repayments. For an example of neo-liberal anlayses in favor of large banks, see Calomiris (1995) who, writing on the eve of the 1999 deregulatory changes that liberalized US banking, argues that financial systems dominated by big, non-specialist banks were the natural outcome of deregulated systems, given the informational advantages that accrue to large, territorially diffuse institutions; that in countries like the United States, banks remained fragmented because of political suspicion against centralized financial systems, and not because of the superiority of alternative financial arrangements; and that this fragmented credit system came at the detriment of industry, as large banks would have provided credit to firms and entrepreneurs at a lower cost. "Financial investment is fundamentally a problem of coordination. Savers and investors need a low-cost means to transact" (Calomiris 1995:260). And big banks could do what stock markets could not: namely, gather information about their clients more efficiently and, over time, adapt their offer of credit to their specific financing needs.

7 This "varieties of capitalism literature" maps systematic differences in countries' institutional practices in several realms, such as welfare provisions, labor markets, corporate governance, inter-firm relations, and financial markets; it attributes such differences to the particular ways that, historically, states and markets have interacted with each other in the context of specific national economies; and finally, it rejects the case for the superiority of any one system over others, because economic arrangements cannot be separated from the institutional context in which they develop (Berger 1983; Berger and Dore 1996; Hall and Soskice 2001). In this perspective, ultimately, it is specifically the problem of *coordination* that institutions solve, and so the function that institutions serve also explains their durability. Institutions allow firms to develop "core competencies" and "dynamic capabilities," because both aspects require effective coordination with a wide range of actors in several spheres, a coordination that firms alone cannot achieve, but that *complementary* institutions can. "In any national economy, firms will gravitate towards the mode of coordination for which there is institutional support" (Hall and Soskice 2001:9). In the specific case of finance, then, according to this framework, financial markets differ to the extent that they allocate capital on the basis of profitability, as in *liberal market* economies where labor markets are flexible and so firms can easily lay off workers when the search for profits requires them to; or on the basis of market-share, as in *coordinated market* economies where firms are less free to cut costs during downturns

A growing number of non-neo-classical economists, associated with the Post-Keynesian tradition, have taken issue with the intermediation-based view, to emphasize instead that bankers incessantly create money through the lending process (Minsky 1986; Moore 1988; and the classic Schumpeter 1911), because money, as Ingham (1996) perceptively argues, is always a social relation of credit and debt. In more technical terms, money is an *ex nihilo* accounting operation: it is a simultaneous act of crediting the account of the client (thus creating a liability for the bank) and crediting the bank for the amount of the loan (thus creating an asset for the bank), with some quantity of money set aside for prudential purposes (Innes 1914). Banks and only banks do this. This point is very important to a more general theory of banking because it questions the assumption that bankers first accumulate and then move "piles" of money, so to speak. Rather, a view of banks as creators of liquidity makes sense of the fact that banks lend several times the amount they have in their deposits; and that, as Wray (1999:107) puts is, "no officer ever checks the bank's reserve position before approving a loan."[8]

Bankers, then, are not constrained by existing stocks of money, capital, or deposits: they specialize in the creation of money. If they create money, attention must be paid to the criteria they employ in doing so, because the value of their loans will depend on how that money is employed in the

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but also hire in times of expansion, and thus defend their current market position at the expense of short-term profitability. Moreover, there are no general prescriptions about 'good' or 'bad' ways of allocating credit and assessing creditworthiness: such valuations can only be made within the context of specific national economies. Yet, within national contexts, the yardstick is that of coordination. And so the assumptions that the nature of money is functional and fungible, that money serves as a neutral medium within which resources can be mobilized efficiently, and that the criteria through which money is mobilized similarly respond to institutional pressures for coordination, all remain foundational to this literature.

8 To illustrate this through a simple example, consider the following. By the principles of double-entry bookkeeping, a loan from a bank is nothing but an increase in the borrower's deposit with the bank in the amount of the loan itself, and thus an increase in the bank's assets, matched by an equivalent increase in the bank's liabilities, also by the amount of the loan. The fact that the bank has a reserve of money at hand (in its vaults) ready to be loaned, and thus that a loan simply transfers money from savers to borrowers, is utterly fictional. To be sure, bankers accumulate or borrow from other bankers safe and liquid assets – such as "base" or "reserve" money – that allow them to meet exceptional demand for cash, and in most systems are required to do so by law (contemporary Canada is a notable exception). Yet banks profit by *minimizing* their holdings of this reserve money that, by virtue of its safety, yields little to no interest – and this was recognized long ago (Bagehot 1920).

future; and more importantly, on the capacity of bankers to guarantee that part of that future income flow will go into their coffers, rather than being pocketed (or reinvested) by their borrowers.[9] This includes the bankers' ability to constrain other financial providers in their ability to reinvest the money they lend to their customers in other markets, such as derivative markets, over which bankers may have less control (Collins 1990).

This perspective on bankers as originators of financial circuits opens up two potential lines of inquiry. The first is an investigation of the conditions under which bankers cooperate with each other to realize value for their investment in the future (De Cecco 1974, 1986; Arrighi 1994; Aglietta and Breton 2001) – a particularly important question if it is the power that bankers exercise over other (potential) financial agents that determines how financial investments are managed and where financial flows are directed. If bankers do not depend directly on outside resources for the reproduction of their power, because their ability to accumulate resources is a result of their cohesion, then a focus on the struggles among bankers should take priority over one on the alliances they make with outsiders. As Verdier (2003) has argued, we should move from a focus on the demand for credit to a focus on its supply.

9 Neo-classical economists, by contrast, think of money exclusively in terms of demand and supply, and they also have elaborate theories about the effects of imbalances between the sphere of money and the sphere of commodities – imbalances they blame for causing inflation. In fact, as Schumpeter (1994:264) perceptively realized, neo-classical theorists are "real" analysts: they "proceed from the principle that all essential phenomena of economic life are capable of being described in terms of goods and services. […] [S]o long as it functions normally, [money] does not affect the economic process, which behaves in the same way as it would in a barter system." Money is thus conceptualized as a "garb" or "veil," he continues, relevant only when it fails. Building on heterodox approaches to money both in economics and sociology, however, here I question this conceptualization of money as derivative of "real" economic activities. There are several, and often mutually incompatible ways to make this point (Smithin 1994; B. J. Moore 1988; L. Randall Wray 1999; L. R Wray and Bell 2004). Generally speaking, heterodox theorists think of money as *endogenous to the economic process* and thus as "real" as the goods and services it finances. By endogeneity, heterodox writers roughly mean that money is *created* in the course of financing economic activities: more specifically, they argue that money is but a form of credit; and that money as credit is created by bankers in the course of granting loans to those who demand them. In more technical terms, heterodox economists propose a *balance sheet approach* to money, because this is what the act of granting loans (marking the money *due* to by the borrower to the bank as an asset, and the deposit account in which the loan is granted to the borrower as a liability) empirically looks like in the books of the lending bank (Bell 2001). Endogeneity in this case, then, means introducing "the element of money on the very ground floor of our analytical structure. […] Money prices, money incomes, and saving and investment decisions bearing on these money incomes … acquire a life and importance of their own, and it has to be recognized that essential features of the capitalist process may depend upon the 'veil' and that the 'face behind it' is incomplete without it" (Schumpeter 1994:265).

The immediate objection to this argument is that there is a world (out there) the judgment and assessment of which gives bankers the ability to lend appropriately. This is the second line of inquiry opened up by a debunking of the myth of banks as institutions of intermediation. To this myth of creditworthiness we now turn.

The Myth of Creditworthiness

What I call the "myth of creditworthiness" is the idea that creditworthiness is a neutral and objective system of assessing whether borrowers can pay back the loans they owe. The myth is not so much in the specification of the problem –namely, that future uncertainty forces lenders to devise robust strategies to minimize losses and maximize gains. Rather, it is in the implication drawn from the problem, one that reduces creditworthiness to a search of objective, neutral means of assessing it, with the hypothesized payoff being that, upon finding such means of assessment, the capitalist process can thus unfold more efficiently.

It seems intuitive to attribute creditworthiness to specific credit relations, both because of a long tradition in mercantile and credit report practices (Olegario 2006), and because of the injustices, discrimination, and predatory practices that often characterize lending, particularly when it concerns marginalized individual borrowers. So with regards to the first point, Carruthers (2005:362) perceptively argues: "For credit to function ... the creditor has to trust a specific debtor at a particular time: will she repay in a year's time? Trust problem in credit cannot be resolved globally since they arise out of specific debtor-creditor pairings." With regards to the second point, a critical literature that emphasizes that access to credit can be a source of inequality of its own, is illustrative of both the advantages and the problems with such a perspective. Stigmatized identities (be they based on race, gender, or religion) undeniably affect the likelihood of a client getting credit independently of her objective ability to pay back the loan (e.g. sufficient income) (for analyses that focus on long-term credit, see Overby 1994; Swire 1995; Calder 1999; Gabriel and Rosenthal 2005). This argument is usually framed in two ways. Economists tend to highlight either the utilitarian and pragmatic aspects of credit discrimination, and so write about discriminatory practices (without necessarily including in their discussion discrimination on the basis of ascribed attributes) as (dysfunctional) responses to market failures (as in the concept of "statistical discrimination," Bielby and Baron 1986), which in the case of credit refer specifically to the presence of informational asymmetries (Stiglitz 2011); or they compartmentalize the problem by attributing discrimination exclusively to non-market forces (e.g. preferences), adding that the institutional setting makes those forces more or less relevant to any given decision (Kyriacou 2005).[10]

Economists, then, tend to reduce discrimination to instances where "personal characteristics" impinge upon what should be "neutral" and "objective" transactions. The focus is self-consciously on the individual and his/her attributes. Whether discrimination is a result of market failure in communicating relevant information about transactors, or is the symptom of a deep-seated "taste for discrimination," is under debate: so while the latter perspective is squarely focused on individuals, the former opens up the possibility for the analysis of *systemic* processes of discrimination as well. Yet both perspectives also conceptualize the market as an arena where social membership should be irrelevant. Collective processes of appropriation of resources and opportunities are thus by definition left out of the analysis. This literature as a result tends to assume that there is one efficient, effective, objective way of allocating credit, and that deviations from it derive from non-economic considerations – with those non-economic considerations having to do with social membership.

10 Blanchflower, Levine and Zimmerman (2003:930) can be considered typical in this respect: "Discrimination occurs whenever the terms of a transaction are affected by personal characteristics of the participants that are not relevant to the transaction. In credit markets, discrimination on the basis of race and/or gender exist if loan approval rates or interest rates charged differ across groups with equal ability to repay."

This cannot be said about a second, relational approach to discrimination that finds in Tilly (1998) its most sophisticated statement. Here the very boundary between *economic* (information-based) and *non-economic* (prejudice-based) discrimination dissolves because the nature and dynamics of the economic process itself are conceptualized differently. Instead of putting individuals at the center of the model, and considering advantages (or disadvantages) accruing to individuals on the basis of some ascribed category as an aberration, Tilly argues that economic benefits are *always* distributed on the basis of group membership.[11] Tilly does not extend his approach to the context of credit markets. [12] But if credit is disbursed in the form of differentiated financial instruments as a result of conflicts between contrasting strategies, inequality is built into the very nature of capitalist money and thus is a constitutive aspect of financial markets, not an aberration; the important insight of Tilly's relational approach to inequality – that inequality derives from collective processes – can thus be applied to credit markets.

From this necessarily follows that the criteria by which credit is assigned are *political*. Whether loans, stocks and bonds, and the whole gamut of financial instruments are granted to particular groups, depends on the balance of power that obtains within financial markets, not on some intrinsic reliability or creditworthiness of their clients. The idea that credit is allocated to those who deserve it must be challenged. I call this the "myth of creditworthiness." This also means that we must consider the

11 And because his focus is on the sources of durable inequality, Tilly also argues that the main mechanism whereby discrimination is reproduced is organizational adoption of bounded categories (e.g. male/female, white/non-white, Christian/non-Christian) as the grounds on which to parse out the benefits of membership in the organization.

12 A difficulty immediately resulting from such an attempt would be that the boundaries that credit institutions draw around the instruments they produce are likely to be more endogenous to the credit field itself than are the boundaries drawn by organizations when, say, they decide who to employ. That is to say, boundaries based on categorical identities become less salient the further one moves towards the core of financial markets, where identity takes more localized meanings. For instance, the corporate raiders who precipitated the 1980s U.S. merger movement, though outsiders to the WASP financial elite of Wall Street by virtue of their ethnicity (some, for instance, were Jewish) or geographic provenance (some were Southerners), consolidated their reputation as deviant innovators because of the practices they carried out, and particularly because of an alliance with Michael Milken that crystallized through the use of "junk bonds" for hostile takeovers (Stearns and Allan 1996). They were subsequently expelled from the financial elite on such a basis. A focus on durable inequalities in the context of struggles for credit, then, may be somewhat limited when it comes to explaining processes that are removed from the public eye and thus do not carry the same costs and benefits than the more accessible and visible discriminatory practices that non-financial actors and organizations carry out.

banking system a source of inequalities independent of other systems of stratification. And to do this we must move conflicting banking groups to the center of our understanding of money. If the struggle among providers of credit, and the means by which that struggle is avoided or at least controlled, are both so central to money, concerns with objectivity and efficiency can only be secondary to concerns with power. And if money acquires value to the extent that it circulates in the form of instruments that only certain kinds of actors can hold and exchange, as we shall see, control over such circuits (and thus over other creditors) is crucial.

Money and Status Groups

Upon close inspection, the myths of fungible money, the myth of banks as institutions of intermediation, and the myth of creditworthiness all embody both an individualistic and a functionalist logic. The logic is individualistic in its focus on individual creditors and debtors; it is functionalist in its assumption that the criteria upon which credit is assigned, the institutions though which it is distributed, and the forms in which credit is allocated are (more or less) efficient representations of an economic reality "out there," over which they exercise no direct influence.[13] Such functionalist stories miss the collective dilemmas and collective action problems into which groups inevitably run as they attempt to construct complex systems of resources appropriation, so a critical reading of the myths of money, creditworthiness, and banking is sociologically useful, precisely because it highlights these collective dimensions. But this requires a significant theoretical shift away from individuals as the unit of analysis, and towards groups instead.

13 The image is that of an economic reality that is mirrored in the financial instruments that mobilize credit. The criteria that the banking system uses to assign such instruments are similarly understood in functionalist terms. Incidentally, this is the point of departure for the Social Studies of Finance approach (see especially Knorr Cetina and Bruegger 2002). The central ideas in this literature are the *performativity* of economic theory, and the close linkage between networks of machines (technology) and networks of users (in this case, financiers) in the diffusion of economic models. While this radically constructive approach to the economy is a necessary antidote to the functionalism of economic theory, it does not focus on conflict within finance and so has difficulties in understanding under what conditions financial models fail.

Not groups in general, but status-groups in particular, as Weber famously argued, are the basis upon which the individual appropriation of collectively generated benefits can take place. Status groups turn opportunities and resources into restricted sources of advantage, for they monopolize them and redistribute them among members of the group, at the expense of outsiders (Parkin 1983; Collins 1986; Tilly 1998). A status group is thus defined by a common orientation to and exploitation of a set of opportunities, communicated through a common culture and lifestyle (Barnes 1992).[14] The boundary that defines membership in the group, importantly, is arbitrary (Weber 1978:341–2), but it is nevertheless consequential because it commits members of a group to a distinctive lifestyle and a common, collective identity.

Commitment to a lifestyle and an identity serves to attenuate the tension that inevitably exists between the collective interests of a status group, and the individual interests of its members – the dilemma of collective action, as Olson (1965) puts it. Members of a status group, in fact, benefit individually from the appropriation of a resource based on the collective power of the group. So it is in their individual interest, all other things being equal, to transcend the collective requirements the group imposes on the mode of appropriation, and push instead for individual appropriation. At an extreme, individual members may even claim the right to sell the means of appropriation of the monopolized resource on open markets – trading with individuals with whom they don't share membership in the status group, with insiders and outsiders alike. This bodes disaster for the status group. Open markets erode the source of the status group's privileged position; they open access to the very market opportunities the status groups thrives on by closing off to outsiders.

But if members of the status group value not merely the private, economic benefits deriving

14 Economists call it a monopolistic group to point to its control over a market. But the status group also has a common lifestyle and collective identity that marks members of the status group off from outsiders. Common lifestyle and exploitation of an economic opportunity, in fact, are not separate or mutually exclusive aspects of membership in a status group. Neither is common lifestyle simply a hedonistic pursuit. The lifestyle serves to create a boundary between members and outsiders; and also commits members of the group to a common identity.

from the appropriation of the resource, but also the social benefits they draw from membership in the status group – if the lifestyle and the forms of sociability they afford members of the status group are valued on their own terms, that is – members are now faced by a different kind of calculation. Appropriating advantages and opportunities *at the expense of* the group is no longer possible without suffering social consequences, consequences that can be very serious depending on how exclusive membership in the status group is. Social ostracism must now be weighed against personal enrichment.[15]

Money, credit, and its social organization in the banking system, are integral aspects of the lifestyle of the status group in at least two ways. First, most obviously, and in a manner still consistent with the myth of fungibility, money (and thus credit and banking as well) makes possible access to resources, and thus to consumption experiences, with which members of the status group can enforce the boundary against outsiders. Sociologists have appropriated the term “economic capital” to describe this function of money.

Second, and less intuitively, money serves as a token of membership in communities of investors, depositors, and financial users more generally, in and of itself, precisely because it comes in differentiated forms whose possession is stratified. To make sense of this point, we must begin with an appreciation of the empirical reality of money – of the fact that “money” is exchanged in the form of financial instruments, such as banknotes, checks, stocks, bonds, junk bonds, credit default swaps, mortgages, commercial paper etc., with each instrument designed to be held not by everyone, but by particular actors or organizations, and to be traded, often through the intermediation of yet other actors or organizations, in particular kinds of markets, and not others. The boundaries drawn around each of

15 This is classic argument, made in the context of phenomena like credentialism in contemporary United States (Collins 1979) – one that also served, with enormous success, to flesh out the dialectic between economic and cultural capital (most famously, Bourdieu 1984); as well as to predict patterns of participation in high-risk collective activities, such as social movements (McAdam 1999; Gould 1993, 1999).

these instruments, of course, vary in breadth and depth, but are boundaries nonetheless. Studies of discrimination in access to credit and banking services, while wedded to an individual-level approach that tends to obscure precisely the collective processes that underlie discrimination, thus show how access to more exclusive financial services remains severely restricted to those who might otherwise have acceptable income levels, except for the form in which they get paid (e.g. Mintz, 2008). Banks, for instance, treat sources of money that can be transmitted through electronic transfers (such as automatic payroll deposits) differently than money that has to be physically deposited. Bankers thus give favorable terms to income streams over which they have more direct and regular control; they treat other forms of money simply as "money," thus denying access to its possessor to resources available to others. Thus group-level processes undergird individual discrimination. Studies of financial markets (Abolafia 1996) and investment banking (Podolny 1993; Zuckerman 1999) show a similar process at work in the more rarified realms of finance. Abolafia, for instance, shows that the culture of bond markets differs remarkably from the culture of futures exchanges: therefore, outsiders to the culture must quickly develop a sense of appropriate financial behavior or risk being shunned by other traders.

Money, in sum, cannot be assessed independently of its empirical differentiation: financial instruments do not acquire value because of the assets that "underlie" them (a value that the instrument allegedly "expresses"). Rather, there is a social logic to the ways that financial instruments are permitted to circulate in specific networks that mediates whatever connection the instrument has to underlying resources. In fact, we can take the further step to argue that, because the value of an instrument is not a function of what it can buy at the moment, but of what resources it will command in the future – with that future being uncertain (Minsky 1986) – social organization is the most direct guarantee of the value of an instrument. While control over the future can never be fully achieved, groups that successfully bind their members to common goals and shared practices are more likely to thrive than groups that systematically engender self-interested behavior. This includes shared understandings about who should be allowed to partake of the advantages reserved to group members, and thus how porous the boundaries of the group should be to outsiders; and most importantly, the extent to which outsiders have access to the same financial instruments reserved to group members. On both accounts, the sociologically interesting point becomes what social structure sustains (or impedes) the process of status-group reproduction through which those boundaries are demarcated and policed.

Bankers, I submit, are the central organizations in this structure. As producers of money (a characterization that the myth of banking as intermediation necessarily obscures), they must solve a basic tension for money to be relatively stable. They must act as gatekeepers of status groups, investing the possessors of particular "currencies" with the prestige of membership in the status group, and excluding others from such benefits. But they must also negotiate those instances in which members trade money, in the specific forms in which it circulates within the status-group, with outsiders. They must renew the commitment of group members who have access to particular financial services to the boundaries they help draw around those status groups. A sociology of bankers is thus central to a sociology of money, and in the work of Joseph Schumpeter we find some useful theoretical considerations with which this connection can be made explicit.

Schumpeter and the Sociology of Bankers

An understanding of financial systems will be incomplete without an understanding of banks, even (or perhaps, precisely) in a time when the power of banks seems to be in decline.[16] For our present purposes, the crucial point is that, since bankers control not only the allocation of credit, as properly intermediary institutions also do, but also control its creation, they face the problem of generating collective commitments to specified ways of using credit.

It is perhaps Schumpeter who most effectively makes this point.[17] In his view, bankers are famously described as "headquarters of capitalism," removing resources from the "circular flow" (the routine ways that economic activities are carried out) and redirecting them towards entrepreneurial activities (Schumpeter 1911; Swedberg 1992; Polillo 2011b). It is thus crucial that bankers retain "authority," in the sense of not being easily impressed by empty promises, and resisting in particular the grandiose claims of entrepreneurs, when they are not convinced that entrepreneurial plans can be realized in some near-future. Schumpeter, as a matter of fact, recognizes a *conservative* stance of bankers in the face of entrepreneurial demands for credit as desirable and functional to the smooth working of the financial system.

16 The general argument that bankers tend to occupy a central position in financial markets derives from an appreciation of the important advantage that bankers have over non-financial institutions: namely, that their liabilities are accepted as means of payment in private transactions, whereas the liabilities of other kinds of institutions are not. The plethora of monetary transactions carried out by banks –payments by check, wire transfer, debit card, to name a few –show up in the banks' books as accounting operations that banks then go on to clear with each other. To be sure, it is because people can withdraw cash on demand from banks that banks' liabilities (such as checks) tend to have general acceptability. And most importantly, "bank money" (in the contemporary US economy, electronic transactions between the Treasury and private banks) can be used to pay taxes. So money can indeed be drained from the banking system. But the point remains that, so long as people maintain bank accounts in the form of deposits, and do not demand payment in cash from the bank, banks can continue *creating* money and settling accounts with each other in ways that non-financial institutions cannot (Goodhart 1989:126-7). The fact that bankers control the forms in which monetary transactions take place is the core of the argument about their centrality to the capitalist process.

17 In the capitalist system, Schumpeter argues, the most important "method of obtaining money [is through] the creation of purchasing power by banks. … It is always a question, not of transforming purchasing power which already exists in someone's possession, but of the creation of new purchasing power out of nothing – out of nothing even if the credit contract by which the new purchasing power is created is supported by securities which are not themselves circulating media – which is added to the existing circulation. And this is the source from which new combinations are often financed, and from which they would have to be financed always, if results of previous development did not actually exist at any moment." (1911: 73)

> The banker must not only know what the transaction is which he is asked to finance and how it is likely to turn out, but he must also know the customer, his business, and even his private habits, and get, by frequently “talking things” over with him, a clear picture of his situation. (1939: 116)[18]

Crucial to success in banking, Schumpeter argues, is that bankers deny credit to those who bankers think as undeserving. Just as important is that bankers design appropriate instruments to finance appropriate undertakings, so that they can exercise control. Financing, that is, entails shared expectations that commit the borrower to a given course of action; and most importantly, that inform the borrower as to how the instrument should be used, and whether and under what terms it can be exchanged for other instruments.

The unit of analysis in Schumpeter’s scheme seems to be the individual, but in light of my previous discussion, it can be easily inferred that no individual banker will have the power or influence over its individual customers without other financial actors backing those decisions up. Control then, has to be a collective achievement within the banking system. When bankers organize into groups, they can more easily and efficiently erect boundaries around the circulation and exchange of instruments, as well as enforce shared expectations about the uses of those instruments. Most importantly, bankers can commit one another to respecting the “earmarks” they develop around those instruments. This is the kind of work that sound banking principles do.

Seen through the lenses of the myth of banking as the mobilization of resources, and its attendant myth of creditworthiness, sound banking may appear to be a set of neutral criteria and practices aimed at adjudicating between efficient, productive, and non-speculative uses of financial

18 Diamond’s classic work (1984) on financial intermediaries as “delegated monitors” that structure the incentives of borrowers in such ways as to minimize the risk of bankruptcy is a modern and more formal specification of Schumpeter’s insight. But Diamond’s model is strictly rational-choice, and has no place for the more generalized categories of creditworthiness that bankers must develop to legitimize themselves as neutral monitors. So it runs into a classic Durkheimean dilemma: what guarantees that the incentives and contracts that protect lenders will be respected? What are the pre-contractual foundations that allow contracts to be recognized as binding?

resources, and inefficient, unproductive, and speculative ones. Sound banking principles, abstracted from their socio-political context, could also be understood as the rules and regulations that relevant actors develop in order to stabilize the business of banking and ensure it follows ethical standards (Lovell 2009). I submit that the importance of sound banking principles lies elsewhere. It lies in the work they do to enforce shared understandings of what uses are appropriate for financial instruments. Sound banking principles are devices to create collective commitments.[19]

Schumpeter (1939: 118) implies this as he argues that bankers must retain some distance from the entrepreneurs they finance because of the importance of impartiality in their judgments, and becomes in finance, “judgment [is] difficult and temptation strongest.” Given the “critical, checking, admonitory function” (1939: 118) with respect to credit exercised by the banker, bankers must use intrusive screening practices; they inspect the customer, probe the soundness of the customer’s judgment, assess the credibility and viability of the customer’s propositions – and this is not a one-time decision, as bankers continue exercising this admonitory function “from the cradle to the grave,” as Gerschenkron (1962) had it in his memorable description of the German banking system. But later in his argument, Schumpeter adds that the impartiality of bankers in assessing business propositions cannot simply be a function of superior knowledge. Rather, it flows from what he defines as “intellectual and moral qualities” that the banking profession as a whole must nurture within its own ranks.[20] These intellectual and moral qualities represent a “very high mark” that bankers violate not

19 Here I generalize Geoffrey Ingham's important discussion of the emergence of sound banking principles in 18th-century Great Britain (Ingham 1984).

20 Schumpeter (1939: 631) thus describes the role of the central bank in a case of which, he states, he is intimately familiar, specifically in terms of enforcing a common banking culture: “every member bank was closely watched, not only as to its balance sheet, but also as to its personnel, the nature of the transactions it entered into, its affiliations, and the kind and quality of its customers – whether, for instance, they were retailers or industrial firms, geographically and economically distributed or concentrated, and so on. Gossip about them and the leading men was carefully collected. Thereupon it was decided what its “ration” was to be. This was then varied cyclically, besides being currently revised on the merits of the individual case. By suasion, as distinct from (general) attitude, we mean attempts to influence individual member banks or groups of member banks. It covers a variety of things and would, in some cases, better be designated as scowling or snarling. It ranges from threats – of which the threat to withhold accommodation is only one – and admonitions down to such measure as extending or withholding invitations to official dinners. Though the possibility of producing effects by such methods greatly differ from country and from time to time, no one who is at all

only at their own peril, but with deleterious outcomes for society as a whole. Schumpeter then argues:

> In the case of bankers … failure to be up to what is a very high mark interferes with the working of the system as a whole. Moreover, bankers may at some times and in some countries, fail to be up to the mark corporatively: that is to say, tradition and standards may be absent to such a degree that practically anyone, however lacking in aptitude and training, can drift into the banking business, find customers, and deal with them according to his own ideas. In such countries and times, wildcat banking – incidentally, also wildcat theory about banking – develops. This in itself – whatever the legal rules about collateral and so on may be – is sufficient to turn the history of capitalist evolution into a history of catastrophes. (Schumpeter 1939:117)

By discussing the negative case of sound banking, or what he calls "wildcat banking," Schumpeter better delineates the kinds of processes he sees as characteristic of "traditional" or *conservative* banking. Conservative bankers apply sound banking traditions that lead them to thoroughly inquire about the nature of what is being financed, with an eye to controlling not only the single financial relationship thereby created, but the meanings and expectations attached to similar financial transactions too.[21] Conservative bankers can only meet this "high mark" corporatively, for when members of the profession begin dealing with customers according to "[their] own ideas," when "tradition and standards" dissipate, the banking system opens up to instability. It opens to wildcat bankers, who are more cavalier than sound bankers, to put it mildly, in their financing decisions. To the conservatism of sound bankers, wildcats oppose a vision of financial innovation and expansion.

Schumpeter's analysis rightly shifts to the systemic level: sound banking is a moral aspect of banking that characterizes the profession as a whole, whose impact can be best recognized when the

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familiar with the working of credit institutions will deny that it is considerable."

21 This is not deny the importance of individual credit-debt relations, but to consider them as part of a larger financial vision that bankers use to inform those individual allocations of credit. "Any other manufacturer simply wishes to sell the quantity of product which will yield the maximum net revenue and does not bother about what happens to the units after he has sold them. The manufacturer of balances who wants 'his money' back cannot for this and other reasons behave according to the same schema. For him other considerations enter into every transaction with every customer and make of it an individual case, which cannot be dealt with in the same way as the sale of a pair of boots. Moreover, every one of these individual cases is, on the one hand, an element of his relation to the customer which must be viewed as a whole, and on the other hand, an element in his total position which, also, must be watched as a whole. This forces upon him an attitude of reserve, which is entirely absent from the behavior of any other businessman. To be sure, this attitude is not always observed. …. [This] is the very reason why there was also plenty of wisdom in the teaching of the so-called currency school." (Schumpeter, 1939: 640)

system lacks it. This distinction between "sound" or "conservative" banking and "speculative" or "wildcat" banking, to use Schumpeter's terms, no longer support a more superficial, individualistic reading –as if it were merely the result of differences in how bankers go about financing outsiders –but engages with questions of collective action. Accordingly, the effectiveness of sound banking principles no longer appears to be a result of how well the principles fit an economic reality; rather, as political compromises among potentially rival banking factions, the primary goal of sound banking principles is to stifle the emergence of alternative sources of credit, or uses of credit that has already been issued, that do not correspond to the creditor's intents. What makes sound banking principles crucial to the workings of the banking system, then, is that they justify certain practices of credit allocation, while impeding others; that they stabilize relations among financial firms; and ultimately, that they create boundaries between insiders and outsiders, between deserving producers and users of a given set of "currencies" or financial instruments, and undeserving ones – such as speculators or unsophisticated victims of financial predators. It is, in short, the relationship between sound banking principles, and the social relations that tie bankers to one another, that determine the durability and stability of financial arrangements.

Closer attention to Schumpeter's description of the tension between banking conservatism and wildcat banking, moreover, reveals a dynamic aspect to the business of banking. Schumpeter's insight is that it is through cultural forms and moral solidarity that conservative bankers exercise dominance within the banking system, and that both cultural forms and moral solidarity are levers to control *access* to the banking system, namely, to impede a situation where "practically anyone, however lacking in aptitude and training, can drift into the banking business, find customers, and deal with them according to his own ideas." As a result, conservative banking –banking based on sound banking principles –refers not merely to good or better ways of doing banking, but to the ability to construct different kinds of experiences around the uses of different kinds of "monies," experiences that exclude the undeserving while energizing the creditworthy. Conservative banking, that is, produces credit instruments steeped in banking tradition, instruments that indicate austerity and thoroughness, competence and thoughtfulness, strict adherence to prudence and principles. These moral and cultural earmarks serve to give shape to the circuits of money that are generated through the lending process. Because bankers are subject to tremendous collective action dilemmas, conflict – and the strategies certain banking factions devise to manage it – becomes central to our understanding of finance. For wildcat bankers always loom in the background – ready to articulate new understandings about how credit should be managed, and importantly, ready to organize new constituencies of outsiders through the new methods they devise. Once wildcat practices spread to the core of the banking system, moreover, financial instability increases, as creditors and borrowers systematically transgress the boundaries through which credit was previously allocated. Schumpeter's sociology of bankers allows us to see the centrality of bankers to processes of status-group formation in the context of a capitalist economy, as well as to specify a cultural mechanism through which status-groups can potentially dissolve.

Empirical Illustrations

In the previous sections of this paper, I made a case for banking as facing extensive collective action problems, in the face of which different actors strive to construct and sustain the kinds of collective identities, grounded in sound banking principles, that generate collective commitments. One of the important implications of this argument is that attention to financial conflict should complement any analysis of the political and institutional conditions within which banking takes place. Rather than taking at face value the myths of fungible money, banking as intermediation, and creditworthiness as individual and objective trait, we should recognize them as contingent claims articulated by banking factions that strive to impose collective commitments on a larger banking community. The myths, that is, should be both historically specific, and driven not by pressures to rationalize credit, but to create stable political alliances (Fligstein 2001a, 2001b).

In what follows, I present an analysis of two cases where collective commitments to sound banking took different shapes, both relative to each other and to the myths of money, banks and credit I discussed above. This was not because of some intrinsic, economic quality of creditors or debtors, and not exclusively because of the political conditions under which banking systems took shape, but because of the interaction between conservative bankers and their wildcat counterparts, and how the interaction affected collective identities within banking. For this purpose, I have selected two cases, 19th century Italy and United States, that make for an unusual comparison on first sight. To be sure, they were both "late-developers," to borrow a concept from the Gerschenkronian paradigm (Gerschenkron 1962); they were also late state-builders, considering that Italian unification took place at around the same time of the US Civil War, and that both processes were central to the constitution of the state in each case (J. A. Davis 2001; Bensel 1990). Yet, most obviously, the geographical size, resource endowment, and population size of Italy paled in comparison to the vast, resource-plenty, and growing polity of 19th century North America. Nonetheless, in these two cases important political aspects interacted with financial institutions in ways that, from a theoretical viewpoint that ignores financial conflict, seem contingent and unpredictable. Once we put financial conflict at the center of the analysis, we gain a more comprehensive perspective. The cases constitute an ideal "opportunity for relating facts and concepts, reality and hypotheses," since they "draw [their] unity not from the theoretical tools used to analyze [them], but from the way [they] take shape, namely as social or historical fact[s] combining all sorts of elements into a set comprising social roles, an institution, [etc.]" (Michael Wievorka, in Ragin and Becker 1992:160).

In particular, the United States was (and is) a federalist state. Institutional analysts in economics associate political decentralization with free markets, because the multiplicity of veto points offered by a decentralized regime encourages competition (Weingast 1995). Similarly, economic historians now celebrate the relationship between local governments and banks, for spurring the kind innovation that a relationship between banks and a central government authority would otherwise stifle (Rousseau and Sylla 2005). But political decentralization did not stop the emergence of a relatively coherent and unified national financial elites in 19th century United States, in spite of the federal government's adversarial relationship to finance (Livingston 1986; Broz 1997). Why?

In the Italian case, in the presence of the centralized state that came into being after unification, we should witness, according to neo-liberal and "varieties of capitalism" theories, a complementary emergence of centralized financial institutions. This, as a matter of fact, did occur, but political centralization led to a divided and contentious financial elite, faced with political movements that rallied around economic nationalism – something that economic theories of banking system formation would consider extraneous to their analysis.[22] In fact, it was only at the expense of the most centralized banks, the so-called universal banks famously singled out by Gerschenkron (1962) as engines of economic development, that the banking system was brought under control by the Bank of Italy; and it was because of the impetus of the most speculative elements of Italian finance that the Bank of Italy acquired the authority to do so.

Thus in the case of 19th U.S. , political decentralization was central to the constitution of the

22 My discussion of economic nationalism in Italy has benefited from the theoretical reorientation that recent studies have, in my opinion, successfully accomplished, and whose central premise is that economic nationalism should not be associated with any particular economic policy (i.e. protectionism), for its emphasis is on the nation as the appropriate referent of economic policy (Crane 1998; Helleiner 2002; Nakano 2004).

banking system, but decentralization did not impede bankers from concentrating enormous power in their hands, especially in the latter half of the century. In the Italian case, political centralization encouraged the kind of speculation and financial instability that the Bank of Italy could attempt to control by mobilizing a nationalist identity, one that necessarily put it in an antagonistic relationship with its private, internationally oriented counterparts. I will show that top U.S. bankers resorted to collective identities centered on the role of the banker as the assessor of reputations in order to attenuate the tension between collective commitment to shared financial projects, and the individual interests of disparate banking factions: what looked like a functional claim (bankers are defined by the role they carry out) was in fact a collective identity centered on individual practices. In the case of 19th century Italy, by contrast, political centralization was superimposed on a decentralized financial system, but bankers, rather than submitting to the process of centralization, appropriated a state-centered ideology (that of economic nationalism) to inform and justify new systems of exclusion.

The cases, in brief, show that there is no simple correlation between political and economic structure, because financial conflict is dynamic, and conservative and wildcat bankers exploit different features of the political structure depending on the moves of their opponents. But a foregrounding of conflict alerts us to the importance of the political determinants of this conflict, and so points to the nature of the dilemma intrinsic to finance: that projects of inclusion also tend to be speculative ones.

The US Case

While a large, historical literature exists on the relationship between banking and politics in 19th century United States[23], I only need to emphasize two aspects for the present purposes. The first is that

23 See for instance (Smith 1936; Hammond 1957; Redlich 1968; West 1977; Bodenhorn 2000, 2003).

the Constitution invests the federal government only with the power to issue money: states, therefore, are banned from doing so. But the law was silent on whether private firms could print money. In the 19th century, states, then, circumvented the constitutional restriction on their authority over money by chartering banks that in turn could issue money.[24] By one authoritative account, as a result, up to 6000 different kinds of banknotes circulated in the US in the antebellum period: while they were denominated in one money of account, the dollar (even though other currencies, such as the Mexican peso, circulated alongside them), quite strikingly, the market value of banknotes depended on the financial soundness of the institution that issued them and could thus vary quite dramatically from face-value (Helleiner 2003).

TABLE ONE ABOUT HERE

The second aspect is that the character of the relationship between political authorities and banks was fiscal, as can be easily seen in table 1. States chartered banks to make money, deriving in some cases more than half of their current revenue not from general taxes on property, but from specific taxes on banking institutions, with these taxes taking the form of one-time fees in some cases, taxes on dividends in others, taxes on profits in yet others. The data also represent suggestive evidence about an unexpected, *positive* effect that government revenue policies had, at least in some cases, on the growth of the banking system. For instance, in the 1830s, about 60% of current revenue in the state of Massachusetts derived from taxes on banks; but Massachusetts also had a high bank density (about 17 banks per 100,000 people), and high availability of monetary instruments (about $16 per capita).

24 And paradoxically, it was the power of the Federal Government to charter banks that came under attack, with the famed bank war waged by Andrew Jackson against the federally chartered Second Bank of the United States being the epitome of this struggle – a struggle that ended with the dissolution of the bank.

The persistence over time of state-taxes on banks did not affect either the growth of banks and of money. In some cases, such as Rhodes Island, taxes on banks seem to have followed the development of the financial sector, without having a discernible impact on the subsequent growth of the banking system. Similar stories can be told about other New England and Middle Atlantic states (such as Connecticut and Delaware). To be sure, other states, like Virginia and New York, never fully embarked on this high-bank-tax path.The fact remains that, at least in some states, a large proportion of public revenue could be extracted from banks, without impairing their development.[25]

More generally, then, the political decentralization of the US state resulted in a banking system that was multi-layered, complex, territorially diffuse, and in some cases central to the revenue extraction capacity of states (Sylla 1975, 1982; Wright 2002). Throughout the 19th century, moreover, as the banking system grew in depth and scope, rather than giving way to a more centralized system, the connection between local government policy and the banking sector was severed by demands for even an even more radical kind of territorial control. This was the project behind Andrew Jackson's liberalizing policies, and his 'free banking' laws (McFaul 1972; Feller 1990; Knodell 2006; Howe 2007; Reynolds 2008). Free banking consisted of the extension of the right to issue notes, to be given to everyone who met certain general requirements (Timberlake 1993). Those requirements were narrowly technical: they concerned the amount of gold and silver that banks were obliged to stock in their vault, as well as government bonds they had to deposit with appropriate state authorities; the laws also

25 Wallis, Sylla and Legler (1995), who have engaged in the ambitious effort to collect reliable data on such aspects, go one step further and argue that, depending on the specific mode of taxation institutionalized by a state, not simply the level of fiscal extraction, the banking system developed differently. State governments could either apply a lump-sum tax on banks, or tax its stocks, dividends, and profit. The former was a one-time tax, which thus limited the relationship between state authorities and banks to the act of chartering. However, states that taxed the latter developed a “fiscal interest” in the organizations they taxed, and as a result encouraged entry into the banking business so as to maximize their revenue. This happened in Massachusetts after 1812; Maryland between 1812 and 1830; Missouri in the 1860s. Where they had direct ownership over banking institutions, on the contrary, states restricted entry – with Pennsylvania being the most remarkable case. Where they had mixed sources of revenue, states simply limited entry –as happened in New York (before the 1830s, when free banking, liberal registration was enacted to open up the banking system to competition). The important point of their research is the fleshing out of a positive relationship between level of taxation, level of monetization, and number of banks.

imposed some limits on lending to directors; and included transparency requirements (Sylla 1985; Lamoreaux 1994). But the spirit of the law had little to do with improving the technical aspects of banking: rather, it was a populist impetus that propelled them on the national arena. As the free banking laws spread from New York, Michigan and Georgia, where the laws were passed concurrently in 1837-39; to Alabama, New Jersey, Illinois, Massachusetts, Ohio, and Vermont (by 1851); then on to Connecticut, Indiana, Tennessee, Wisconsin, Florida, Louisiana, Iowa, Minnesota, and Pennsylvania (by the end of the decade) (Rolnick and W. E. Weber 1983)they encapsulated the Democratic party's new demands for the abolition of the privileges and entitlements that, in the eyes of its supporters, had characterized the previous system of state-managed charters (Hammond 1957; Bodenhorn 2000, 2006; Wilentz 2006).

The laws, due to their focus on formal rules, were an attempt to supersede the existing regulatory regime as they severed the connection between banks and local *politics*: they minimized, that is, the role of political jockeying in the development of the banking business (Bodenhorn 2000, 2006). But while limiting the opportunities for political officials to grant charters on the basis of patronage and corruption, the laws simultaneously limited the political accountability of banking. Free banking subjected banks to formal rules, to be sure, but made no provision for any agency to have oversight of the banking system. And as the laws opened the field of banking, as Schumpeter (1939:117) had it, to "practically anyone, however lacking in aptitude and training, [who] can drift into the banking business, find customers, and deal with them according to his own ideas," they delegitimized conservative banking as well (the term wildcat banking, as a matter of fact, derives precisely from this period). Mihm (2007) thus argues that practices like counterfeiting grew in this period, while Hasan and Dwyer (1994), drawing on data on the incidence of bank failures in Ohio, New York, Indiana, and Wisconsin in the 1840-1860 period, show that wildcat banking also increased the likelihood of runs on banks located in geographical proximity to failing banks, as their customers did not have sufficient information to tell which bank was, in fact, solvent, paradoxically leading to contagion and widespread failure – the classic case of the "self-fulfilling prophecy" (see Aghion, Bolton, and Dewatripont 2000 for a formal statement). The Jacksonian period, in short, constitutes a paradigmatic instance of a political push for wider financial inclusion, resulting into a more open and more unstable financial system. One can say that financial conflict, because it was so closely connected to the politics of the states and the federal government, became one of the primary sites in which political struggle took place.

But this is not the only instance of such a process in 19th century United States. The Civil War had important changes on the organization of banking: the National Banking Acts that were passed during the war allowed bankers to gain national charters, and took the power to issue banknotes from state banks by taxing them. As a result the banking system acquired more national homogeneity. But it remained nonetheless decentralized and lacking of a central bank, in particular because the law preserved the states' authority to grant their own charters to banks (Rockoff 1974; James 1978; White 1983; Bensel 1990). Consider in this respect figure 1, which shows an initial dip in the density of state-chartered banks, followed by a tremendous increase in their number from the 1880s onwards. Given the growth of this part of the banking sector that was least subject to regulation, along with De Cecco (1986) and White (1983), here I wish to emphasize the continuity in banking policies that characterizes both the Jacksonian and postbellum periods.

Within the category of newly formed state-chartered banks, trust companies became of great importance. Initially established as trustees of estates and bond issues, as well as executors and guardians of private wills, trust companies took advantage of loose regulations at the state level to establish a niche in the newly buoyant corporate economy, and by the 1880s acquired commercial functions. Further, “they accepted deposits; made loans; participated extensively in reorganizing railroads and consolidating industrial corporations; acted as trustees, underwriters, and distributors of new securities; and served as depositories of stocks, bonds, and titles. Frequently, they acted as attorneys for individuals and companies. Corporations regularly appointed them as registrars or fiscal and transfer agents. Very often they also owned and managed real estate” (Carosso 1970:99; also quoted in Moen and Tallman 1992:612). In some states in the North East, they completely took over the field of commercial banking (James 1978; E. White 1983). Remarkably, in the state of New York, where the largest trust companies operated, their assets grew by 244 percent over the 1897-1907 period, compared to a 97 percent growth in the assets of national banks and an 82 percent growth in the assets of state banks (Moen and Tallman 1992:612).

FIGURE ONE ABOUT HERE

The underlying set of processes that was making these new forms of financial institutions profitable originated with the modern business corporation (Sklar 1987; Roy 1997). But the corporate economy had not only given impetus to wildcats. By the 1890s, a new, internationally oriented financial elite had emerged in the wake of corporate consolidation (the great merger movement). This elite was now uniquely invested in stabilizing the domestic financial system, both to rationalize its control over industry (Livingston 1986), and to gain more power and prestige in international markets (Broz 1997). It was faced by both a federal government that was keen on imposing new systems of regulation on finance; and by a diffuse community of local bankers who resisted any encroachment of Wall Street on their practices (West 1977). Several reform movements appeared throughout the early 20th century, but they all failed in the face of the centrifugal forces that stopped bankers to see themselves as a community and thus articulate common interests (Livingston 1986).

This state of affairs changed dramatically after the 1907 crisis, when conservative bankers, both at the national and the local level, were forced to confront the challenge that trust companies posed to the financial system as a whole (Bruner and Carr 2009). In the wake of the crisis, the Wall-Street centered financial elite came to compromises with local bankers by espousing an ideology of banking (the 'real bills doctrine') that both played up the importance of the individual relationship between creditor and debtor in insuring the soundness of the banking system; and made a conceptual case for a decentralized, coordinated agency able to provide emergency loans in times of crisis (Livingston 1986; Mehrling 2002:209; Meltzer 2004). In this doctrine, the soundness of individual credit transactions and exchanges was crucial to the functioning of banking. Creditworthiness could be thus conceptualized as an intrinsic property of individual, atomized credit exchanges, with the implication being that, as a consequence, the assessment of creditworthiness should be left to individual bankers. Sound banking, in banker Lee Higginson's eyes (the only non-New York banker to be implicated in the Money Trust investigations of 1913), was thus a necessary and inevitable characteristic of credit, because:

> Nothing but character and personality will hold deposits in a bank, whether large or small, for everybody knows that any man may draw out all his money from the bank without notice, and either hide it or put it in another bank. Therefore, the bankers never can be sure of their deposits unless they conduct their corporations properly and with due regard for others…. Banking depends entirely on character and fair dealing – the only lasting assets. (Higginson 1913, February 7th)

Perhaps more famously, JP Morgan (1913:1084) asserted at the very same hearings: "I know lots of men, business men too, who can borrow any amount, whose credit is unquestioned. … It is because people believe in the man. … He might not have anything. […] The first thing is character. … Before money or anything else. Money cannot buy it. … [A] man I do not trust could not get the money from me on all the bonds in Christendom."

Remarkably, the Federal Reserve Act drew from the spirit of the real bills doctrine as it specified the role of the new, central bank to be that of discounting commercial and other kinds of "self-liquidating" assets – assets that, by virtue of their origin in commercial transactions, did not require complex financial arrangements to further circulate; but also assets whose 'commercial' nature was for bankers to decide (Wicker 2005). In a time characterized by intense public animosity against the bankers, and by serious legislative blows to their power (like the Clayton Antitrust Act passed shortly after the Federal Reserve Act), in short, the bankers united under the banner of banking as the activity of granting credit upon assessing the soundness of the debtor, and influenced the passing of central banking legislation that had eluded them since Andrew Jackson's dissolution of the Second Bank of the United States in 1832.

The Italian Case

The facts that the decentralized polity of 19th-century US caused collective action dilemmas for bankers; and that bankers eventually (though never completely) overcame these dilemmas through the formation of a common culture, constitute suggestive, though not conclusive evidence about the independent effect of financial conflict on financial structure. We could think, that is, of the cultural and ideological activities of US conservative bankers as being responses to the challenges posed by a decentralized environment. There would be some payoff in analyzing the financial conflict between conservative bankers, invested in creating a common set of boundaries informed by understandings of credit as localized and personal, and the wildcats, invested in contesting the exclusivity of credit. But one could still argue that the structure of the U.S. polity was the primary variable affecting the structure of U.S. banking.

Analysis of 19th century Italy, because of its centralization, and thus its structural differences with 19th century United States, helps better define the constitutive, rather than contextual or derivative, effect of financial conflict on financial system formation. To be sure, 19th century Italy was a fragmented and decentralized polity, but as a consequence of the unification process, its government was centralized. This, as recent scholarship shows, was an unintended outcome, deriving from the infrastructural weakness of the regional states that the new Kingdom superseded (Romanelli 1988; Ziblatt 2006). Regional elites were unable to guarantee law and order without the direct intervention of officials from the center, and as a result of this weakness, they did not gain the kind of autonomy within the new state they had expected (Riall 1993, 1994) They in turn came to see central elites as illegitimate (Sabetti 2000). The conflict between a centralized administration and local political elites, more invested in the perpetuation of their power and authority over local communities than in joining the national political elite, remained a durable, sometimes overt, sometimes latent, aspect of 19th century Italian politics (Riall 1998). Conflict over centralization fed into financial conflict, as we shall see; financial conflict, however, eventually became the vehicle for the consolidation of the centralized polity.

Unsurprisingly, contentious debates over the fiscal makeup of the state characterized the first twenty years of the new Kingdom (Romanelli 1995). Regional elites made sophisticated cases for the desirability of decentralization, primarily emphasizing the importance of building legitimate institutions from the ground up, to avoid fostering resentment against central elites (Sabetti 2000). Because, however, national political elites held much more power than the regional ones, debates about fiscal administration tended to be dominated by proponents of centralization. The emphasis that liberal elites put on fiscal prudence and balanced budgets provided the ideological grounds on which such a case could be made, for as Minister of Finance Agostino Magliani (1878:193) once put it, “a balanced budget cannot be said to have been achieved until there will be a similar normalization of the finances of the Communes, on which so many important public services depend, and which are an integral part of the body and life of the nation." Local profligacy threatened to "suffocate the potential for industry and commerce," added Magliani's liberal supporters (Anon 1878).

The organization of credit and finance was a different matter. Several intellectual elites strongly sided with a decentralized financial system, that would better reflect the heterogeneity of the polity, and provide an alternative way of tying regional elites to the central state (De Mattia 1990; Polsi 1993). Most importantly, these elites played up a populist theme: "in Italy the government tried all sorts of strategies in order to turn the economy, finance, and administration into a banking oligarchy, whose effects we can predict will be nefarious to the condition of our country, to the political life of the nation, and to the development and consolidation of our parliamentary institutions," thus argued the left-leaning statesman Seismit-Doda (1873:59). A democratic regime required a plurality of banks, added liberal merchants advocating banking reform (Pallavicino 1864). Unlike the project of fiscal decentralization, which would have required a radical restructuring of Italian institutions, financial decentralization was more feasible: a network of banks of issue, previously in charge of the finances of the former, regional states, was still central to the credit systems of the provinces that had superseded the regional states. Once elites in favor of financial decentralization took power (first, by creating ad-hoc coalitions, and then in the landmark 1876 elections, when the patriotic but conservative and landed 'Party of the Historic Right' was replaced by the patriotic but progressive, and more oriented to the bourgeoisie, 'Party of the Historic Left'), plans to decentralize the banking system quickly moved ahead. Besides the Banca Nazionale (the Bank on which the central state relied for its financial needs, especially loans to finance its military and infrastructural projects), four additional, regional banks were invested with the authority to issue banknotes (Carocci 1956, 2002). From the 1880s onwards, the central government further increased its involvement in the credit system by expanding the size of its debt, and relying both on the banks of issue and on local, savings institutions to finance it (Mori 1992).

In the absence of strong, local administrations, conservative bankers were left with no institutional backing for sound banking, so financial expansion led to a proliferation of wildcat bankers (Confalonieri 1974; Polsi 1993; Mori 1992). To be sure, local governments were constrained in their ability to spend. Had they been institutionally stronger, they could have constituted an alternative source of power for conservative bankers (Verdier 2003). But in the centralized Italian polity, control over the central government was crucial. And now that the elites in government pursued policies of financial expansion, conservative bankers were under attack, but had few political supporters in favor of sound banking. Wildcat practices, encouraged by political elites pushing for a more inclusive financial system, thus led to general financial instability, a real estate boom, and a set of corrupt and nepotistic practices (such as the illegal financing of politicians) that ultimately precipitated a financial crisis in 1892 (Manacorda 1993).

1893 turned out to be a watershed moment for Italian financial history in at least two ways. First, the Banca Nazionale was forced to take up the debt of the failing banks, and was transformed in the process into the Banca d'Italia – the Italian Central Bank (Bonelli 1991). But the fragmented structure of the banking system impeded those Italian bankers who had not been bankrupted by speculation, from joining forces with the Banca d'Italia, for they lacked a common identity through which to overcome their parochial interests. Conservative bankers were thus virtually wiped out by the continued crisis (Confalonieri 1974). Second, as a consequence, foreign capitalists, which already had an important presence in the Italian economy, were able to increase their influence. This, in the long run, turned out to be the catalyst for the creation of such a common, collective identity among Italian bankers.

The unexpected outcome of the crisis was that the foreign origin of capital suddenly became a salient rallying point for wildcats. Financial conflict lay at the root of this. While the Banca d'Italia was, over time, able to return its balance sheets to a solvent position, and thus to increasingly advocate for a return to sound banking (Bonelli 1991), the more conservative factions of bankers were precisely the universal banks – the banks created by the influx of foreign capital (Fohlin 1999). Their ideas about sound banking thus did not coincide with the priorities of the Bank of Italy. Universal bankers wanted the creation of a territorial diffuse system of deposit banks upon which they could draw to finance industry; the Bank of Italy wanted, by contrast, the creation of a coherent, centralized banking system over which it could exercise control.[26] Wildcats sensed an opportunity here, especially since the universal banks proved to be quite reluctant in financing the new, military industrial complex that the more aggressive Italian governments of the turn-of-the-century now openly supported, and thus their dependence on foreign capital could be construed as a source of political interference (Confalonieri 1974:262–333; Webster 1975). The Societa Bancaria Italiana, and expression of Genoese capitalists connected to the ship-building industry, spearheaded this movement (Bonelli 1971; Galli Della Loggia 1970). Recasting itself as the *banca italianissima*, the SBI attracted the support of the nascent, nationalist movement, and thus proposed itself as the Italian alternative to financial institutions that, from the viewpoint of nationalism, were covert representatives of foreign interests (Falchero 1981).

This only widened the split among conservative bankers. While the universal banks repeatedly attempted to position themselves as trustworthy allies of the Banca d'Italia, they wanted to do so on their own terms – using the support of the Banca d'Italia for projects of domestic expansion (Confalonieri 1974:476). The Banca d'Italia, by contrast, seized the opportunity offered by economic nationalism to discipline the universal banks. In the name of economic nationalism, for instance, Bonaldo Stringher, Director of the Banca d'Italia, now had a language to push Otto Joel, Director of the

26 Thus in January, 1905, Otto Joel, Director of the Banca Commerciale Italiana, wrote to Stringher that the current expansion of his bank had important, positive effects on the development of Italian credit; Stringer replied that banks were, in his view, multiplying excessively, threatening the stability of the financial system (Joel 1905).

universal banca *Banca Commerciale Italiana*, to intercede with the German government and the German press to gain support for Italian colonial ventures in Libya (Stringher 1911) and to advocate for a united banking elite, ready to forego private, individual gains while in pursuit of a higher, collective good.[27] Economic nationalism afforded a solution, so to speak, to the political stalemate that the Bank of Italy increasingly found itself in. By subordinating itself to the project of state-building, and connecting the fate of banking to the fate of the nation, the Bank of Italy could begin to carve out a new, more autonomous role for itself. Drawing the boundaries between those deserving of credit, and those who should be denied access, along nationalist lines, the BI imported in the credit system an identity that commanded strong commitment from increasingly vocal sectors of the Italian population, and that, simultaneously, could not be dismissed as extraneous to credit by actors, such as the Banca Commerciale, who were less than advantaged by this process. This strategy, however, was only partially successful: on the eve of the First World War, the directors of the universal banks resigned under pressure from the nationalists. But in the post-war period, the conflict with the Bank of Italy increased, and it will take the rise of fascism and the great depression for the universal banks to become fully subordinate to the Banca of Italy (Forsyth 1993; Ivone 2005).

27 In one of his addresses to the shareholder's assembly of the BI (March 27, 1905), for instance, Stringher thus commented on his success in involving several banks in the financing of a general pension fund and an institute of national culture, the *Dante Alighieri*: "It has been of comfort to see the enthusiasm with which various institutions have responded to the invitation to take part, without aims of profit, in such an operation. But the Bank is particularly pleased to note that its call was listened to. It does not hide its deep satisfaction at having been kindly joined by the representatives of the finest of the Italian institutions that attract savings, distribute credit, encourage security in various forms, and fertilize the national capital to increase its productivity. The large union of the financial forces of the country, for aims of philanthropy, that can be admired today, may be the prelude of a new one tomorrow, with these same forces becoming even more powerfully connected to implement the kinds of projects on which the restoration of finance and the national economy depend."

Discussion and Conclusions

My discussion of the two cases of 19th United States and Italy highlights important aspects of the process of financial system formation, that are best captured by a focus on financial conflict, rather than coordination. First, in both cases the structure of the polity – and more specifically, its level of centralization – created different sets of opportunities for bankers, who exploited them in order not to increase the efficiency and potential coordination of the system, but to stifle their opponents. In decentralized, 19th century U.S., those opportunities derived from the states' legal and political control over the banking system, which resulted in a multi-layered system of regulations that bankers (especially wildcat bankers) could exploit. Once the system was further decentralized, or to put it better, once national and state-level bankers began competing with one another, thus increasing the leverage of state-chartered banks that could push for the further liberalization of their regulatory environment, conservative bankers began advocating for sound banking principles anchored on a micro-level conceptualization of creditworthiness, precisely to counter those wildcat strategies. In centralized, 19th century Italy, by contrast, financial opportunities derived from the central government's increased control over the organization of credit, that in turn encouraged wildcat bankers to pursue projects of a local, speculative nature first, and later, projects with a national scope (such as the financing of the military industrial complex).

That U.S. federalism facilitated more competitive markets, by encouraging and empowering political movements invested in liberalization, is of course consistent with neo-institutional economic theories (Weingast 1995). Yet, federalism did not impede certain banking factions in the United States from eventually concentrating enormous power in their hands, especially in the latter half of the century, and re-orienting the organization of credit to their advantage. They did so both by exploiting the regulatory gaps that characterized the US political structure (Roy 1997); and by articulating sound banking principles in micro-level, exclusive terms, which gave bankers operating at different levels of the financial system the collective identity necessary to pursue common projects of political reform. By the same token, a focus on institutions alone does not yield an explanation of the dynamics of financial conflict in 19th century Italy, where wildcat bankers eventually appropriated a state-centered ideology (that of economic nationalism) to inform and justify their attack on the financial status quo – where, in other words, those excluded from dominant institutional arrangements turned to a more inclusive, macro-oriented ideology of banking to exploit fissures within the conservative camp. Institutions, that is, constitute important resources for bankers, but it is the dynamic of financial conflict that determines who will use those resources, and how.

The comparison of the Italian and US cases also reveals the importance of precipitating events, such as financial crises, to the unfolding of financial processes. This is not a way to simply resort to "contingency" and "exogenous shocks" to do the kind of theoretical work for which a sociology of financial conflict is insufficiently developed. Rather, the idea is to understand crises as events that, to be consequential, must affect the organizational cohesion of the status groups threatened by it. Financial conflict is multi-dimensional (in the spirit of Max Weber multi-dimensional theory of capitalism in general), but three conditions emerge from the comparative-historical analysis I presented above. First, the degree to which the state has internal cohesion affects its ability to face crisis – both the Italian central government (in 1893-4) and the U.S. Federal government (in 1907) lacked it, and had to rely on private actors to restore stability. Thus, in the process, they were both forced to rearticulate their relationship with private bankers, giving some factions of them (conservative bankers in the US case, wildcat bankers in Italy) the kind of political recognition that allowed them to further increase their cohesion and power. This is, seen from the perspective of the bankers, quite consistent with a Weberian understanding of status-groups (see esp. Barnes 1992) whereby status-groups lobby for the state to sanction and protect their privileges and benefits first, and engage in intense processes of cultural production and distinction (with exclusionary purposes) especially when the state is too weak to guarantee their monopoly over a resource. In both the Italian and US cases, the articulation of strong collective identities came from those groups that found it most difficult to directly win state support.

Second, the degree to which wildcat bankers are internally cohesive affects the likelihood that their demands will be incorporated in the new, financial status quo. Thus US wildcats, and trust companies in particular, territorially spread out and thus incoherently organized, threatened the stability of the US financial system, but did not contribute to the development of the collective identity through which conservative bankers sought to restore stability. By contrast, Italian wildcats, as they couched their demands for more credit in a language of economic nationalism, by virtue of their organizational strength (the Societa Bancaria Italiana was intimately connected to the military industrial complex) directly impacted the collective identity that conservative bankers went on to develop to stabilize the system. Finally, the organizational cohesion of conservative bankers plays a fundamental role as well. US conservative bankers, building on their control over the corporate economy, were thus able to invest enormous resources in the creation of a common banking culture (Livingston 1986); Italian conservative bankers, by contrast, were divided along social and cultural lines, partly because of the importance of international capital in the developing Italian economy, partly because of the opportunities afforded by financing the Italian state.

This paper, in conclusion, has attempted to recast finance in terms of struggle, focusing not on intermediation, coordination, and mobilization of resources, but on the boundaries that bankers strive to delineate around those who deserve credit, excluding who do not, and gaining political support for them (from the state or other relevant political authorities). This is only possible once we focus on the group, rather than the individual, as the appropriate level for the analysis of economic processes; and once we appreciate the social, organized ways in which economic processes in general, and financial process in particular, unfold, intuitive distinctions between cultural and economic goals give way to the more nuanced, but also more realistic, appreciation of the mutually constitutive relationship between cultural and economic motives. The more general, sociologically interesting question becomes not whether culture and economy support or conflict with each other, but rather, under what conditions individual interest clashes with the collective interest of the group in which the member belongs; and thus, more concretely, under what conditions members of the group open access to the resources they monopolize – by virtue of group membership – to outsiders.

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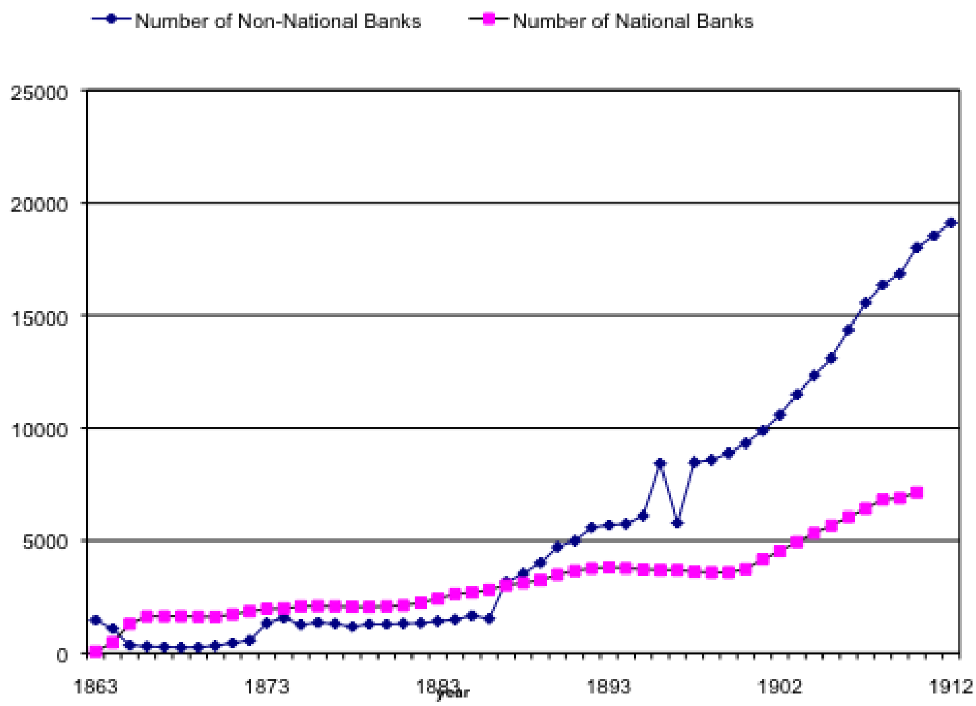
Region/State		1820			1830			1850			1860	
	Bank as Revenue (Share)	# of Banks Per 100K ppl.	$ Per capita	Bank as Revenue (Share)	# of Banks Per 100K ppl.	$ Per capita	Bank as Revenue (Share)	# of Banks Per 100K ppl.	$ Per capita	Bank as Revenue (Share)	# of Banks Per 100K ppl.	$ Per capita
NEW ENGLAND	**0.02**	**15.25**	**$7.14**	**0.2**	**19.07**	**$9.56**	**0.2**	**14.10**	**$15.99**	**0.19**	**20.60**	**$26.72**
Maine	0	6	5.54	0	9	2.4	0	5.5	6.33	0	10.8	10.12
New Hampshire	0	7.4	2.23	0.03	9.7	3.3	0	7.2	6.59	0	15.9	13.52
Vermont	0.03	4.2	0.98	0.08	6.4	3.71	0.04	7.3	10.43	0.02	14.6	14.41
Massachusetts		12.6	11.07	0.61	17.2	16.56	0.34	12	24.27	0.21	14.1	40.21
Rhode Island	0.02	56.6	13.6	0.24	61.7	17.37	0.46	41.3	23.75	0.46	52.1	35.14
Connecticut	0.09	4.7	9.09	0.27	10.4	4.93	0.34	11.3	18.66	0.45	16.1	27.89
MIDDLE ATLANTIC	**0.27**	**4**	**2.61**	**0.19**	**4.78**	**7.71**	**0.12**	**5.36**	**15.46**	**0.11**	**6.8**	**22.97**
New York	0.06	2.7		0.01	4.5	4.62	0.01	6	20.73	0.01	7.8	33.95
New Jersey		6.5			7.5	0.59	0	4.9	8.29	0.03	7.3	14.72
Pennsylvania	0.53	2.1		0.23	3.3	9.94	0.04	2	10.51	0.06	2.8	12.05
Delaware	0.44	5.5		0.43	5.2	14.37	0.52	9.8	14.4	0.4	11.6	17.73
Maryland	0.05	3.2		0.09	3.4	6.84	0.04	4.1	12.84	0.03	4.5	16.13
SOUTH ATLANTIC	**0.15**	**1.13**	**5.51**	**0.11**	**1.2**	**4.39**	**0.05**	**1.76**	**10**	**0.04**	**2.84**	**11.29**
Virginia	0.02	0.4		0	0.4	4.53	0.13	2.5	8.97	0.1	4.3	10.18
North Carolina	0.31	0.5		0.34	0.5	2.1	0.01	2.2	4.3	0.02	3	6.53
South Carolina	0.13	1		0.01	1.4	3.48	0	2.1	16.98	0	2.8	21.6
Georgia		2.6			2.5	7.52		2	12.91		2.7	11.78
Florida								0	0		1.4	2.06
OLD NORTHWEST	**0**	**1.9**	**0.6**	**0.02**	**6.58**	**1.41**	**0.02**	**3.86**	**4.8**	**0.01**	**4.72**	**4.95**
Ohio	0	1.9		0.01	3.3	0.28	0.01	2.8	7.27	0.02	2.2	4.76
Indiana				0.03	0.3	1.47	0.07	1.3	3.91	0	2.7	4.94
Illinois				0.03	0.6	5.86	0	0	1.93	0	4.3	5.45
Wisconsin								13.9	3.24		13.9	8.49
Michigan					22.1	1.53	0.01	1.3	2.1	0.01	0.5	0.74
OLD SOUTHWEST		**1.1**	**4.85**		**5.4**	**3.65**	**0.03**	**1.7**	**7.35**	**0.06**	**4.34**	**13.74**
Kentucky					6	0.8	0	1.6	8.34	0.04	4.1	15.92
Tennessee		0.2			3	0.33	0	2.2	4.72	0.14	3.3	8.44
Mississippi		1.3			5	7.33	0	0	0.27	0	0.5	0.28
Alabama		1.4			2	2.42		0.1	4.81		0.8	12.12
Louisiana		2.6			11	4.49		5.4	24.7		13	44.29
Missouri						8.18	0.13	0.9	5.77	0.06		8.63


Number of Non-National Banks
Number of National Banks
25000
20000
15000
10000
5000
0
1863
1873
1883
1893
1902
1912
year