



[home](#) | [about](#) | [contact us](#) | [login](#)

Navigation

- [Abstracts](#)
- [Ask the Professor](#)
- [Bibliographies](#)
- ▼ [Book Reviews](#)
 - [Browse Library](#)
 - [Subscribe](#)
 - [Search Library](#)
 - [Editors](#)
 - [Reviewers](#)
 - [Copyright](#)
- [Calendar](#)
- [Course Syllabi](#)
- [Databases](#)
- [Directory](#)
- [Encyclopedia](#)
- [How Much Is That?](#)
- [Mailing Lists](#)
- [Related Sites](#)

Copyright Information

Please read our [Copyright Information](#) page for important copyright information.

About



Comments? Questions? Use our [online feedback form](#) or send email to admin@eh.net.

Home » Book Reviews

The First Wall Street: Chestnut Street, Philadelphia, and the Birth of American Finance | Book Reviews

Published by EH.NET (September 2006)

Robert E. Wright, *The First Wall Street: Chestnut Street, Philadelphia, and the Birth of American Finance*. Chicago: University of Chicago Press, 2005. vii + 210 pp. \$25 (cloth), ISBN: 0-226-91026-1.

Reviewed for EH.NET by Peter L. Rousseau, Department of Economics, Vanderbilt University.

Robert E. Wright, hailing from New York University's Stern School of Business, continues to expand our understanding of early U.S. securities markets with his recent offering from the University of Chicago Press. If looking for an entertaining stroll through the rise and fall of Philadelphia as the hub of American finance from the late colonial period through the Bank War, one needs to go no further. At the same time, the book is a fine starting point for considering more extended research on the wide range of financial topics addressed therein.

The eleven chapters are, for the most part, organized around particular financial innovations or groups of innovations that emerged first in Philadelphia, many of which persist to the present in some form or another. But the deeper thread seems to be that, despite its eclipse by New York City around 1830, Philadelphia's importance in setting the stage for the ascendancy of the United States as the world's financial leader -- a position achieved by the end of the nineteenth century and by some accounts well before -- should not be discounted by historians and economic historians.

As Philadelphia rose to prominence as a political and economic center, it replaced London as the informational hub of the colonies, leading to a greater degree of financial integration and an end to the rather insulated existences that had prevailed for decades. Wright describes the rise of Chestnut Street with vivid narratives about the growth of the market for property rights (chapter 2), quasi-public and private banking (chapter 5), the fire and marine insurance industry (chapter 6), building societies (chapter 7), and financial securities markets. He also points out that it was Philadelphia that hosted the Federal mint and the nation's first two central banks. Indeed, the anecdotes that Wright tells about the challenges that the mint faced in acquiring the bullion needed to perform its most basic function -- challenges made more difficult by a

seemingly constant need to justify its existence to legislators -- are among the book's most fascinating.

Given Chestnut Street's precocious start as the nation's first "Wall Street," Wright devotes the final third of the book to explaining the fall of Philadelphia from its commanding perch atop the U.S. financial system (chapters 8-11). Here, the author recounts the familiar explanation that geographic inadequacies were at the heart of the city's undoing -- a fate sealed by New York's unlocking the portal to the West with the Erie Canal. Wright's explanation, however, is enhanced by a reconstruction of the life and business experiences of a less prominent yet well-established financier named Michael Hillegas. Hillegas began a modest career on Chestnut Street during its heyday and learned from some of the great financiers of that time. As some of his colleagues and mentors moved their operations to New York, however, Hillegas chose to stay behind, carving out a good living as one of the remaining "old timers." In the end, though, the flow of human and financial capital away from Philadelphia led even Hillegas, and surely others like him, to experience increasing difficulties in keeping business from moving to New York and its more auspicious opportunities. Wright contends that it was the exodus of human capital that really spelled the end for Chestnut Street.

One point that Wright does not make explicitly, but which is nonetheless reinforced by his lively narratives, is the primal nature of real activity as the driving force behind the location and development of finance. At a time when colonial economic activity was more local in nature and commerce more international, Philadelphia's position as an Atlantic port made it an adequate commercial center, especially since it was already a political center. It was therefore natural for the financial system to have its mainsprings there. A virtuous cycle of real needs leading to finance and promoting further real growth seems to have been the result. But as it became increasingly clear that the new nation and its large land mass was not a featureless plain, the move to New York might be seen as a classic example of Joan Robinson's famous adage that "where enterprise leads, finance follows." And follow it did in this case. As Chestnut Street's best financiers headed off to New York, their expertise went with them. Only large sunk investments in plant and equipment for the Federal mint and the central bank could hold these institutions in the Quaker City, at least until political forces took care of the latter.

It is important to note that this book is not intended as a treatise on economic or financial theory as applied to the colonies or the young United States. Rather, it is solid effort to relate financial history to a wider popular audience. As such, the exposition might be a bit distracting at times to the academic reader. Yet the better understanding of Chestnut Street's role in early U.S. growth and development that I gained from reading it was well worth an occasional diversion or two. Effectively bridging academic and non-academic audiences is a difficult feat indeed, but one that we have come to expect from a scholar as prolific as Wright. It leaves me in anticipation of what new ground his next work will cover.

Peter L. Rousseau is Associate Professor of Economics at Vanderbilt University in Nashville, TN and a Research Associate of the NBER. He is the author of "A Common Currency: Early U.S. Monetary Policy and the Transition to the Dollar," *Financial History Review* (April 2006), and co-author (with Richard Sylla) of "Emerging Financial Markets and Early U.S. Growth," *Explorations in Economic History* (January 2005).

- Geographic area: North America (7)
- Time period: 18th Century (6), 19th Century (7)
- Subject: Business History (B), Financial Markets, Financial Institutions, and Monetary History (H)

Copyright © 2006 by EH.NET. All rights reserved. This work may be copied for non-profit educational uses if proper credit is given to the author and EH.Net. For other permission, please contact the EH.NET Administrator (admin@eh.net; telephone 513-529-2229; fax: 513-529-6992). Published by EH.NET Sep 26 2006 All EH.Net reviews are archived at <http://eh.net/bookreviews/>.

Citation

Peter L. Rousseau, "Review of Robert E. Wright, *The First Wall Street: Chestnut Street, Philadelphia, and the Birth of American Finance*." EH.Net Economic History Services, Sep 26 2006. URL:
<http://eh.net/bookreviews/library/1120>