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John Sherman of Ohio

Finance Minister of the American Civil War Era

Sofia Valeonti and Ariel Ron*

Abstract

During the US Reconstruction era (1865-1879), that followed the Civil War, the US chose to follow a policy mix of protectionism and resumption of gold payments at pre-war parity. John Sherman, an Ohioan senator and later Treasury Secretary, steered the country towards this policy combination. The combination of gold payments and protectionism may seem as an incoherent policy, but we argue that Sherman used this policy mix as a tool to promote his vision of US economic development. A vision that included US industrialization, as well as the development of capital-intensive agriculture. Given the economic and political constraints that he faced, Sherman had to rely on this policy combination to promote his vision of development.

Keywords development; protectionism; financial integration; trilemma; resumption of specie payments

No person was more centrally involved in the economic and political affairs of the United States during the second half of the nineteenth century than John Sherman of Ohio. For more than forty years as a Congressman, Senator, Secretary of the Treasury, and Secretary of State, Sherman was the Republican Party's indispensable policy broker on matters of federal finance. Although best remembered today for landmark legislation bearing his name, especially the Sherman Antitrust

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Act of 1890, he made his most distinctive contributions earlier, during the period from 1861 to 1879, when the Civil War and its aftermath brought a radical overhaul of how the federal government interacted with the national economy. In those years Sherman emerged as an architect of the Union's war finances and as the policymaker best able to chart a pragmatic path from the wartime introduction of a national fiat currency to the resumption of gold convertibility under a new system of national banking.

Sherman is often described as a party man whose policies were dictated by political expediency rather than any coherent set of economic ideas (e.g., Unger 1964: 86-87). There is no doubt that he was a crafty politician. Yet he was also a skilled policymaker with a thorough understanding of government and business operations and a notably macroeconomic frame of mind. He had “an impressive command of Treasury detail” (365) and “understood national finance better than any other” politician (Morgan 1969: 13), “by far the most important public figure of the seventies and eighties” (Marcus 1971: 37-38) and “the key man on financial issues” (Barreyre 2014: 183). At a time when the Senate was especially powerful—particularly after Congressional Republicans sidelined President Andrew Johnson in 1866—Sherman's long tenure as chair of the Senate Finance Committee (1863-65, 1867-77) positioned him at the apex of federal financial policymaking. From this perch he took a leading hand in authoring all of the key laws affecting money, taxation, and public credit.

Sherman was arguably the figure most responsible for steering the country toward a distinctive economic policy settlement that coupled a return to the gold standard with tariff protectionism (Marcus 1971: 38). This may seem a quizzical, even incoherent combination. In the historiography of nineteenth-century economic policy and thought as well as in the economic literature, the gold standard is typically regarded as a means to facilitate international trade (see,

e.g., Meissner and Lopez-Cordova 2003; Eichengreen 2019: 16). Protectionist tariff barriers would be at cross purposes. Conversely, because protectionism aimed to insulate the domestic economy from foreign competition, the gold standard's easing of trade was at best inconvenient. The most prominent contending schools of American economic thought tended to argue in just these terms. Gold and free trade were assiduously advocated by businessmen and financiers centered in New England and the commercial entrepot of New York City, whereas paper and protectionism were favored by labor and manufacturing interests in the industrial portions of Pennsylvania, western New York, and the Midwest (Barreyre 2014: 75, 86-92).

Seen from a different angle, however, a specie standard combined with protectionism is simply one of the possible ways to resolve the macroeconomic trilemma. The trilemma states that free trade, a fixed exchange rate, and an independent monetary policy cannot be maintained at once.¹ All three conditions are potentially desirable. But while “any pair is attainable; all three are not simultaneously attainable” (Milton Friedman quoted in Irwin 2012: 35). The trilemma was an especially pertinent problem in the US from 1865 to 1879 when the government aimed to resume specie payments after issuing a fiat paper money to finance the Civil War. Given the high inflation rates of the Civil War, if the US wanted to resume specie payment at pre-war parity it had to appreciate its currency. To achieve this, some proposed to curtail the money supply in order to deflate the price level. This meant sacrificing price stability to achieve specie payments and the fixed exchange rate they entail. Sherman—who seems to have understood the trilemma though he did not, of course, use that term—had to choose a pair, and he chose to drop free trade. Policy debate after policy debate, he defended US price stability and resumption of specie payments (with the fixed parity it implies) and sacrificed free trade for protectionism.

¹ We follow here Irwin's (2012: 34-46) presentation of the trilemma and adapt it to the US context that Sherman had to face in the 1860s and 1870s. We thank Stephen Meardon for suggesting this framework.

Domestic price stability was probably Sherman's top commitment. That preference grew out of his experience as an attorney and businessman in antebellum Ohio which, in turn, shaped his vision of national economic development (Egnal 2007: 109). Sherman believed that the antebellum system of state-chartered banknotes left Ohio, and the Midwest more generally, with risky and insufficient means of payment, leading to a high local interest rate and an exorbitant domestic exchange rate with the more dependable notes of northeastern banks. These factors depressed prices in the region, discouraging commerce and investment. Sherman therefore favored the creation of a national monetary system that would even out the geographic distribution of credit and eliminate the interregional exchange rate. The opportunity for such a monetary restructuring came during the Civil War when wartime exigencies forced an initial reliance on fiat paper money (the "greenbacks"), which halved in value against gold within two years (Mitchell 1903: 423-24). Sherman believed that gold convertibility was essential to long-run domestic price stability. It was also desirable for international integration, particularly to attract foreign capital – a point confirmed by later literature (Bordo and Rockoff 1996). To return to convertibility, then, the greenbacks had to be brought back to pre-war parity with gold. Some thought resumption of specie payments required rapid withdrawal of greenbacks from circulation. But since this policy implied deflation—a violation of domestic price stability—Sherman steadfastly preferred to appreciate the greenbacks' value. As we detail below, the keystone of his plan was to refinance the Civil War debt in Europe, thereby generating a net inflow of foreign capital and lowering domestic interest rates.

A high tariff was probably less important to Sherman, but it nevertheless suited his purposes in several distinctly economic ways.² By suppressing imports, the tariff slowed gold outflows. Although it amounted to a de facto tax on agricultural exports (Irwin 2007), this effect was outweighed by other federal policies that heavily subsidized agricultural development, including land grants for construction of western railroads, settlement of farm families, and establishment of agricultural colleges—all of which Sherman favored. Given the credible promise to move toward a fixed exchange rate, inflows of European capital were thus encouraged to increase the inflow of gold. Because pro-settler policies ensured steady demand for funds in agriculture, the fact that the tariff juiced returns in protected industries was potentially important for drawing investment toward the industrial sector. Tariff revenue also guaranteed interest payments on federal debt, which were paid in gold and were at a high level in the late 1860s and 1870s (Lipsey 2000: 693, table 15.4). Finally, as a Whig-turned-Republican, Sherman was predisposed to the idea that protectionism worked to develop domestic manufacturing, maintain high relative wages, and support key agricultural interests such as wool. In short, protectionism cohered nicely with Sherman’s overall program. As important, it was an essential glue of the Republican party coalition, especially after the end of slavery removed the party’s original *raison d’être* (Brown 1955; Bensel 1990, 2000; Barreyre 2014).

Importantly, Sherman’s program was, in its essentials, precisely the policy that the United States implemented during the Civil War Era under the hegemony of the Republican Party. It is thus especially useful to reconstruct Sherman’s economic thinking. In this paper we show that Sherman’s policy combination makes economic sense if seen through the lens of the trilemma. It

² We distinguish the tariff’s economic from its political suitability for Sherman’s aims. Politically, the tariff was a means of holding the Republican Party coalition together and one that became more important over time (Bensel 2000).

was a considered choice that aimed to steer the country toward a specific kind of economic development.³ We emphasize the economic logic at work, as distinct from the political, though we do not draw sharp lines between these domains—indeed it is impossible to do so given the stress Sherman laid on proper banking regulation and tariff construction. We instead focus on how Sherman’s words and actions derived from a historically specific set of conditions and were applied within a historically specific context.

The literature on nineteenth-century US economic thinking has, with few exceptions (e.g. Meardon 2007), focused on authors of economic treatises. But the conceptual frontiers between economics and politics were nebulous in this era. We posit that politicians need not simply consume ready-made economic knowledge but can adapt economic ideas to their own aims and contexts. Sherman can be regarded in this light as what Craufurd Goodwin calls a “fringe economist,” a type of public figure “seldom interested in economics for its own sake, only for what it can do for them” (Goodwin 2019: 23). Goodwin maintains that “the effect that these interpreters have had on the economic policies that they address, and sometimes backward onto economic science as well, has yet to be fully understood.” Sherman was undeniably important in the first sense (effect on policy) and possibly in the second as well (effect on economics). Moreover, Sherman’s vision required a deployment of state power that had been politically infeasible before the Civil War. He thus also allows us to extend the study of the “prehistory” of development economics (Arndt quoted in Alacevich and Boianovsky 2018: 7), contributing to a burgeoning literature on the “American developmental state” that has largely focused on politics and policy rather than economic thought.⁴ Our main source for this investigation is Sherman’s *Speeches and*

³ We use the term of economic development rather than growth, because during this time the US economy industrialized and build the infrastructure for economic development (see for example Lipsey 2000: 695-97).

⁴ The literature is large, see for example: Link and Maggor 2020, Ron 2020, Barreyre and Lemerrier 2021, Ron 2023, Ron and Valeonti 2023, and Maggor 2024.

Reports on Finance and Taxation, a 640-page compilation published in 1879 to support Sherman's presidential hopes. Although the *Speeches*, as a campaign document, must be handled with care, the selections were evidently meant to express the logic of Sherman's resumption policy and to highlight its success. For a "fringe economist," this is as close to a treatise as one can hope to get.

1. Sherman as Finance Minister

Sherman's lasting and influential presence at the highest levels of American government warrant his inclusion among the great finance ministers of the long nineteenth century—figures such as Alexander Hamilton, Masayoshi Matsukata, and Sergei Witte—who wielded policy to achieve distinctive visions of national economic development. As a recurring figure or archetype in the history of economics, the finance minister can be characterized as a high government official possessed of an abstract conception of economic activity (i.e., a theory), yet fundamentally oriented toward concrete, real-world outcomes that inevitably demand a measure of adaptability and pragmatism. In this sense, the finance minister is a model "fringe economist." If we accept this approach, our first task is to identify the historically specific social vision that determined Sherman's basic orientation and desired outcomes. It will then be possible to outline the specific suite of policies that he pursued and to evaluate his success in doing so.

Sherman's vision derived from his early life in Ohio, a state so central to the American political economy that it supplied five of the six US presidents elected between the end of the Civil War and the turn of the twentieth century. In his autobiography, Sherman moves from his childhood to adult experiences by interposing a chapter titled, "Ohio; It's History and Resources." There he refers to the construction of canals and the introduction of steam navigation as "a great revolution," soon followed by the "still greater revolution" of the railroads (Sherman 1895: 68-69). Sherman cut his teeth professionally and politically in the midst of this revolutionary transition

which, in his telling, fostered the synergistic development of Ohio's agricultural and industrial capacities, exemplified by the state's particular prowess in the making of agricultural machinery and the increased value of lands (Sherman [1870] 1879: 289; [1872] 1879: 346-47; 1895: 70, 81; see also Page and Walker 1991: 292-93). He then projected this kind of balanced local development onto the nation (Egnal 2007: 109; Nichols 1934: 183). Indeed, he remained so committed to a domestic economic orientation that, toward the end of his long public career in the 1890s, he was one of the few prominent Republicans to advocate continued "internal growth" over the country's turn toward imperialism (Sherman 1895: 1216; Weaver 1987).

Antebellum Ohio also supplied Sherman with a model of developmental governance. Although southern veto power at the national level constrained federal policy before the Civil War, the state level was broadly characterized by "state mercantilism—the widely shared sense that each state must foster its own economic growth in competition with other states" (Scheiber 1975: 97).⁵ This could include bounties, corporate charters, banking policies, preferential freight rates, targeted industrial regulations and so on. But the major expression of state mercantilism was government support for transportation projects. The tradition was especially strong in Sherman's Ohio, where the construction and administration of the state-owned canal system gave the canal commission a powerful lever, under legislative oversight, to shape the state's economy—for instance by setting "preferential tolls for Ohio manufactures of crockery, cooperage, glassware, hops, lard-oil, paper, powder, salt, starch, and woodware" (Scheiber [1968] 2012: 254). Ohio also engaged in mixed, public-private enterprise: the 1836 canal expansion program added an uncapped "Loan Law" that provided government credit and equity purchases to qualifying ventures. As a

⁵ See also "metropolitan mercantilism" (Taylor 1951: 98) and many other examples from the "commonwealth" historiographical school, e.g. Goodrich (1960).

young lawyer, Sherman was himself employed by a beneficiary of this policy, the Sandusky & Mansfield Railroad (Sherman 1895: 80-81; Scheiber [1968] 2012: 131-32).

Finally, Ohio indicated to Sherman the key financial problems to overcome. After Jackson's 1832 veto of the renewal of the charter of the Second Bank of the United States, Ohio moved to a state-chartered free banking system. The result was that no institution could guarantee centralized interregional exchanges, nor a central reserve asset (Knodell 1998: 715-19). The exchange rate between New York and Cleveland rose between 1832 and 1859 (719-21). Even after the Civil War, Ohio and other midwestern states faced higher interest rates than those prevailing in the Northeast (Davis 1965: 357-73). Meanwhile, "the demand for capital moved steadily toward the South and the West" (356). In short, Ohio lacked capital, paid high commercial interest rates, and labored with a dearth of local banknotes that traded at a discount with the better quality notes of northeastern banks. Sherman's close attention to the makeup of the US monetary and banking systems grew out of these circumstances. Recent economic history confirms his conviction that banks played a key developmental role (Jaremski 2014; Atack et al. 2014; Fulford 2015).

To regard Sherman as an archetypal finance minister, then, is to highlight his efforts to fit the instruments of government finance to the American experience of economic development as he understood it. The trilemma loomed large in this regard. The rising global trade and industrialization of the second half of the nineteenth century made the trilemma particularly acute for second and third wave developing countries. The gold standard in this period had a structural tendency toward deflation. The problem was magnified by the ever-increasing costs of modern warfare, which were often financed by money-printing. This repeatedly led to scenarios of inflated postwar currencies facing steep deflationary prospects if a return to specie payments at pre-war parity was desired. The deflation implied worked against credit-intensive industrial enterprises that

borrowed in a depreciated currency and had to make interest payments in an appreciating one. In addition, the appreciated exchange rate exposed nascent domestic manufacturers to global competition before they were globally competitive. An appreciating exchange rate decreased “the price of tradable goods relative to nontradable goods and services,” intensifying the foreign competition faced by domestic manufacturers (Frieden 1997: 374).

For this reason, the association of the gold standard with free trade looked unappealing within the developmental tradition of economic thought. Indeed, it was very common around the turn of the twentieth century for countries, especially outside of Europe, to combine the gold standard with protectionism—“a use of the gold standard distinct from neoclassical ideas,” which served “as a tool of nationalists and protectionists intent on fostering domestic industry and imperial expansion” (Bryan 2010: 5, 8). The developmentalist view already regarded free trade skeptically, fearing that unfettered international trade based on comparative advantage undermined the chances of late industrializers by driving them to specialize in low-value-added primary commodities. But the gold standard looked increasingly unavoidable in the late nineteenth century, a baseline requisite for accessing global capital markets (Bordo and Rockoff 1996). In the United States, Civil War inflation and Britain’s industrial lead produced just this combination of circumstances as early as the 1860s and 1870s. For Sherman, this meant pragmatically avoiding deflation while steadily driving toward convertibility, and at the same time erecting protective tariffs to encourage industrial investment and employment.

2. Money, War, and Economic Nationalism

Sherman had an unshakeable faith in the fundamentals of American economic development. Demographic growth (including immigration inflows), resource abundance, entrepreneurial spirit, technical ingenuity, and republican government assured national greatness in due course. “There

is nothing that can be said too highly of the future of this country,” he declared (Sherman [1865] 1879: 80). “We have unexampled resources in men, in land, in iron, gold, coal, and in all the elements of wealth” (Sherman [1866] 1879: 120). The only really serious threat was the narrowness of proslavery interests and the consequent threat of territorial disintegration. This was the issue that drew Sherman into national politics in the mid-1850s. He entered Congress on a wave of popular backlash to the Kansas-Nebraska Act (1854), widely regarded in the free states as an audacious slaveholder power grab. Sherman made his political name by tying the “Slave Power” to corruption and incompetence in the Buchanan administration (1857-1861). His detailed analyses of the federal budget, especially its soaring debt after the Panic of 1857, made him into one of the Republican Party’s recognized experts on financial issues, propelling him to the chair of the House Ways and Means Committee. By the outbreak of the Civil War in April 1861, Sherman was a Senator and member of the Finance Committee. He would become committee chair two years later, but even before then, he had gained immense influence over financial matters, thanks in part to his connection with Treasury Secretary Salmon Chase, a fellow Ohioan whom Sherman had replaced in the Senate.

The first year of the Civil War put the Treasury under tremendous strain. The government initially negotiated a loan from major northeastern banks. But Chase believed himself legally bound, in accordance with the so-called “Independent Treasury” policy, to physically transfer gold to government vaults. This drained the banks’ reserves and forced them to suspend redemption of their circulating banknotes. With no further domestic bank loans possible, foreign funds available only at high rates, additional revenue from augmented customs levies slow to come in, and an extensive system of internal taxation yet to be designed, Congress turned to inconvertible paper note issues, known as the “greenbacks” (Mitchell 1903: chap. 1-2).

Sherman gave the greenbacks his full-throated endorsement for two reasons. First, he considered them an essential war measure. Men and matériel had to be paid for and the only other available option, borrowing, was a poor bargain given the interest rates on offer (Sherman [1862] 1879: 25). Second, the greenbacks constituted a genuinely national currency. Both points, Sherman believed, required endowing them with legal tender status, a contentious issue in Congress. Sherman argued it would make the greenbacks easily exchanged, secure, and valuable, and would facilitate bond sales. Existing law forbade the federal government from dealing in bank notes (hence Chase's gold transfers), but the banks' suspension had led to the hoarding of precious metals. Consequently, the public lacked sufficient funds to purchase war bonds. "If now forced upon the market in large quantities," Sherman (26) claimed, bond issues "would be depreciated to something like sixty cents on the dollar." Legal tender status provided the remedy. Moreover, this solution was superior to simply repealing the proscription on receiving banknotes. The federal government could not "regulate or govern in the slightest degree" the notes of state-chartered banks, which would now "have every inducement to inflate" (26, see also 28, 43). In other words, given a choice of inconvertible means of payment, Sherman strongly preferred unitary public control at the national level over privatized issuance variously regulated by the several states.

This preference accorded with Sherman's developmental vision. The domestic economy needed capital and means of payment to grow. Both, according to Sherman, were lacking in the capital-hungry Midwest, including Ohio. Bank capital was concentrated in New York and other eastern cities. As a result, the "notes of the East are worth more than those of the West" and exchanged at a premium, offering financial intermediaries "cover" for charging western farmers "usurious interest" (Sherman [1863] 1879: 43, see also 33-34, 42). Sherman (33) also argued that weak banks were especially tempted to issue banknotes beyond what their assets could sustain,

leading to their collapse and the ruin of their customers. The West's relative capital poverty exacerbated this problem.

All in all, Sherman ([1863] 1879: 42, 60) objected to state banknotes because they were unsafe, easily counterfeited, tended to depreciate, and lacked uniformity. In the event, "137 of 239 Midwest free banks closed" over the first two years of the war due to erosion of reserves laden with southern and western state bonds that declined in price (Jaremski 2013: 382). Sherman ([1863] 1879: 28) thus "much prefer[ed] the credit of the United States, based as it is upon all the productions and property of the United States, to the issue of any corporation, however well guarded and managed." He even preferred an exclusive circulation of greenbacks over a mixed circulation that left room for state banknotes (37-38, 40). The latter could not be "uniform, stable, and sound" due to the variety of bank charters and regulations (38, 41). For Sherman, then, the national character of the greenbacks would stabilize the monetary system and promote growth. To this end, he introduced a bill in January 1863 to tax state banknotes out of existence—a measure of his "aggressively nationalist" policy orientation (Hammond 1970: 300).

The tax was not enacted until 1865, but in the meantime, Sherman took charge of the legislative campaign for the first National Banking Act (Sharkey ([1959] 1967: 225; Newman 2018: 389-93). Originally put forward by Secretary Chase and passed in 1863 only with Sherman's help, the law was intended to do two things: to generate demand for federal war bonds and to establish a stable national currency. It created a new system of nationally-chartered banks modeled on Ohio's free banking law of 1851, itself modeled on New York's free banking law of 1838 (Sylla 1969: 659). Those earlier state laws instituted general incorporation provisions for the formation of note-issuing banks, freeing the chartering process from bespoke legislative design and discretion, but encumbering incorporated banks with fairly stringent regulation and oversight. The

new national system similarly subjected banks to strict regulations and “thorough inspections” (Lamoreaux and Wallis 2021: 416). Banks had to meet a high capital threshold of \$50,000 (\$100,000 for banks in named major cities), at least a third of which was to be held in federal bonds. They could issue notes only against federal bonds deposited with the Treasury Department as security for redemption. Notes would be printed by the Treasury in a uniform style resistant to counterfeiting, and could be issued for no more than 90% of the current market value of the deposited bonds. (The 10% margin provided a cushion, in case of declining prices, for banks to either increase bonds on deposit or reduce note issuances.) In addition, banks in the nineteen reserve cities were required to keep a reserve of “lawful money” equal to 25% of outstanding notes.⁶ Finally, total note issuance for the system as a whole was capped at \$300 million (Timberlake 1978: 87).

Sherman initially hesitated to get behind Chase’s plan but was persuaded to do so at least in part thanks to his own modifications. One of his key changes was the \$300 million cap on total note issues (Newman 2018: 392). As we have seen, he believed that the wartime suspension of convertibility incentivized banks to issue notes without limit. “The practical difficulty,” he said, “is, how to check inflation by banks” (Sherman [1863] 1879: 62). The cap built a system-wide outer wall, while the 25% reserve ratio restrained banks individually, so that the notes were safeguarded “beyond the danger of inflation” (67). Moreover, the system would facilitate western development by eliminating the interregional exchange rate. Printed by the Treasury and secured by federal bonds, the notes offered a “uniform national currency which can be passed from hand to hand in all parts of the country without loss by exchange, deterioration, or alteration” (55, see also 68, 72). Importantly, the system cap was also designed to remediate the uneven regional

⁶ “Lawful money” here meant greenbacks, with the presumption that this would revert to specie at some point after the war.

distribution of credit. In Ohio, Sherman (55) claimed, “capital is far less, in proportion to our population, than the capital of the New England States.” Under the new system, half of the total allowable notes (i.e., \$150 million) “must be distributed according to population” (55).⁷ Finally, the system offered an opportunity to associate federal and banking interests. It promised to soak up a portion of outstanding greenback issues through bond purchases yet allow a delimited amount to be reissued as national bank money for the benefit of the banks and the public (78). In addition, the system provided the government with “fiscal agents throughout the country” for efficient tax collection (55).

The Civil War thus made it possible, for the first time in American history, to establish a uniform national currency under significant federal oversight. Sherman shaped that outcome as much as anyone, and probably more. In different ways, the greenbacks and national bank acts aimed to overcome what he saw as the throttling effects of the antebellum era’s radically decentralized monetary structure, and thereby to promote the expansion of commercial agriculture, industrial manufacturing, and natural resource exploitation, especially in the Midwest. This “establishment of a national currency,” he stressed, “appears to me all-important” (78).

3. The Tariff: Sherman’s Fiscal Swiss Army Knife

Wartime dictated a different resolution of the trilemma than Sherman would choose afterward. Extraordinary military expenditures, he repeatedly argued, could not be met by anything other than a fiat currency, a circumstance so universal he regarded it as practically a law of political economy (Sherman [1862] 1879: 25; [1863] 1879: 39, 55). Stable exchange rates were thus inconsistent with effective war finance. Under normal circumstances, by contrast, specie payments disciplined

⁷ That provision was repealed in 1864 (Sharkey [1959] 1967: 236), leading to a maldistribution of national notes and a major postwar debate, but in 1863 Sherman was optimistic.

domestic credit and promoted international integration. Gold, he explained, was “the money known in the commerce of the world” (Sherman [1867] 1879: 123). However, this conviction did not mean that Sherman recommended free trade policies. The protective tariff remained a linchpin of Sherman’s finance.

The tariff was central for three primary reasons. First and most basically, customs duties were the workhorse of federal taxation, an institutional reality hardwired into the constitutional makeup of the nineteenth-century American state (Sherman [1860] 1879: 9; Einhorn 2006; Rao 2016; Brownlee 2016). While still a member of the House Ways and Means Committee in 1860, Sherman introduced the protective Morrill Tariff, defending it largely on the grounds of fiscal need. Particularly during and immediately after the war, Sherman stressed the paramount importance of revenue. It was “the first, highest, and most pressing want” (Sherman [1867] 1879: 122). The revenue imperative might suggest cuts to spending and Sherman did consistently advocate for economical government. But he tended to retain developmental outlays, opting instead for reductions to military budgets, efficiencies in civil administration, and debt refinancing to minimize interest payments (e.g. Sherman [1860] 1879: 5-6). This was very much in keeping with Republicans’ enthusiasm for subsidizing railroad construction, harbor improvements, agricultural and mechanical colleges, and other forms of broadly developmental spending (Egnal 2007; 2009), together with their distrust of the professional military and desire to cut its spending to a minimum both before the war and immediately after (Downs 2015; Zander 2024).

Closely related to the tariff’s revenue generation was the fact that it constituted nearly the only way for the federal government to acquire gold during the war. Even on the fiat greenback standard, gold was needed to pay interest on the war debt, as well as to meet other obligations such as treaty annuities negotiated with, or forced upon, Native nations (Sherman [1867] 1879: 122-

23). In theory, the government had a domestic source in the form of California gold production. In practice, however, Sherman consistently argued that internal taxation was not politically sustainable in the United States except in time of war. “Why, sir,” he interjected as he spoke in favor of the Morrill Tariff, “the people of this country would not allow the raising of \$10,000,000 [around 15% of the federal budget] by direct taxation” (Sherman [1860] 1879: 9). After the war, he stated it as a generally accepted maxim that “internal taxes should first be repealed” before any downward adjustments were made to the tariff (Sherman [1872] 1879: 348). More broadly, the federal government struggled mightily to exert any kind of real control over California mining interests and even the state’s basic loyalty to the Union was at times in question (Ellison 1968; Richards 2007). Sherman’s funding policy (discussed below) would ultimately yield another source of gold, or gold exchange, in the form of foreign loans (Thomson 2022: 171). But the funding system itself required a steady source of gold income that only custom duties could supply (Sherman [1870] 1879: 288, 398). Sherman ([1865] 1879: 86) also intended the tariff to suppress imports, limiting gold outflows. This suppression of gold outflow would be reinforced by the developmental effects of the tariff. US economic development would result in an increase in exports, hence an increase of the gold revenue (Sherman [1877] 1879: 581-82).

Altogether, the tariff remained indispensable to Sherman’s plan for restoring federal credit abroad and accumulating a reserve in preparation for resuming specie payments at par, a goal he achieved in 1879 under his own direct management as Treasury Secretary.

Industrial protectionism was a third reason for the tariff’s enduring status as a pillar of Republican federal finance. Sherman ([1860] 1879: 9, 12; [1867] 1879: 127-131; [1870] 1879: 291, [1872] 1879: 346-47, [1874] 1879: 462) consistently credited the tariff with developmental benefits. “We may theorize as we will,” he maintained, “but the actual condition of the country is

the best evidence that the industrial policy steadily maintained by us during the war, and since the war, has been consistent with the most rapid progress” (Sherman [1872] 1879: 347). He identified at least three important mechanisms (346-47). The first was import substitution (Sherman [1878] 1879: 626). Sherman ([1871] 1879: 331; [1872] 1879: 351; [1875] 1879: 480) favored higher duties on goods that competed with American industries and lower or no duties on popular consumer goods such as coffee that could not be produced domestically and on inputs for domestic manufactures. Protectionism thus “induced” capitalists to invest their “money in industrial pursuits” and thereby “called into existence” whole new industries (Sherman [1872] 1879: 347). A second advantage of protectionism was that it defended the high-wage American economy from low-wage foreign competition (the so-called “pauper labor” argument, see Huston 1983), which not only benefited American workers directly and helped generate the domestic demand to sustain investments in high-output-low-margin mass production, but also attracted “to our country a vast army of industrious laborers” (Sherman [1872] 1879: 347).⁸ Finally, protectionism diversified the domestic economy synergistically, building up a manufacturing sector that sustained demand for farmers’ products and also supplied them with implements and machinery that improved agricultural labor productivity (the so-called “home market” argument; see Ron 2020). In Sherman’s ([1872] 1879: 346-47) own words: “The market value of all agricultural products has, by the diversity of our industry and the rapid extension of our railroads, been maintained as high proportionately as that of mechanical fabrics, while the increasing use of agricultural machines of home manufacture has lessened the labor of production.” In all these ways, protectionism promoted a “balanced”—i.e., diversified and independent—domestic economy.

⁸ It even encouraged workers to acquire specialized skills (presumably in the same manner that it “induced” particular investments).

It is hard to say just how sincere Sherman was in his protectionist faith. This is partly because the tariff was in any case a fiscal necessity and partly because it occupied such an important political role in cobbling together the Republican electoral coalition. For instance, Sherman ([1867] 1879: 121; 1895: 70) vigorously defended tariffs for certain agricultural interests, especially wool growers, in a manner that suggests he was more concerned about reconciling key Republican constituencies than about stimulating infant industries or defending wages. Yet from a more comprehensive perspective, there was another distinctly economic importance to the tariff in Sherman's thinking: by assuring the national credit in Europe, it helped to lower domestic interest rates (Sherman [1870] 1879: 255-56, 259; [1876] 1879: 501). This aspect of Sherman's thought becomes apparent only after a closer examination of his Civil War debt funding policy.

4. National Finance & Foreign Capital in the Postbellum Era

Two monetary approaches dominated public discussion after the war. Greenbackers favored indefinite maintenance of the fiat standard, whereas "goldbugs" championed resumption of specie payments at prewar parity. Hugh McCulloch, the Treasury Secretary who followed Chase, wished to resume gold convertibility as quickly as possible. In 1865 he requested authorization from Congress to diminish the quantity of greenbacks in circulation (McCulloch 1865: 9). Congress obliged with a qualified assent, permitting McCulloch (1888: 211) to cancel up to "ten millions of dollars of the United States notes ... within six months from the passage of the act, and not more thereafter than four millions of dollars in any one month."

Sherman ([1863] 1879: 60-61, 65, [1866] 1879, 95) was also for resumption, but he opposed McCulloch's aggressive monetary contraction because it was deflationary, which he thought would harm economic growth. Even the threat of deflation could be enough to throttle activity. "Some of the best business men of the country," he stated, "are alarmed, and refuse to go

on and contract new obligations” (Sherman [1866] 1879: 91; see also [1869] 1879: 196). Sherman instead favored a pragmatic middle course that would avoid any rapid price changes in favor of a gradual appreciation of the greenback to gold parity. To this end, he opposed either an increase or decrease to the amount of greenbacks in circulation throughout the Reconstruction period (Sherman [1869] 1879: 213; [1870] 1879, 221-22; [1870] 1879: 262; [1870] 1879: 279; [1871] 1879: 332; [1873] 1879: 384-85; [1873] 1879: 394; [1874] 1879: 431; [1875] 1879: 477; [1877] 1879: 594). In addition, Sherman doubted that McCulloch’s deflationary policy would actually achieve its goal. For a resumption of specie payments, the price of gold in greenbacks needed to decline, but for Sherman ([1866] 1879: 96) that price did not depend mechanically on the amount of greenbacks in circulation, but rather on the confidence “of the people of this country and of all nations in the credit of the United States.” A return to specie payments could be completed “without any material reduction of our currency,” he argued (95), while contraction would only “produce an unnecessary strain upon the people” (90).

Sherman ([1866] 1879: 91, 101) proposed to approach resumption gradually by “funding,” i.e. refinancing, the war debt. The federal debt amounted to some \$3 billion by war’s end (Sexton 2005: 194). Its composition was complex, including “as many as forty different forms of securities” and a variety of war-related private claims. Most of it, however, was made up of the so-called 7-30s (three-year “notes” at 7.3-percent interest) and 5-20’s (twenty-year bonds, callable by the government after five years, at 6 present interest). Sherman wished to consolidate the war debt into lower interest rates bonds, thus reducing the government’s interest payments. Thanks to the Union’s victory, he believed, the country’s credit in financial markets was rapidly improving, making it possible to begin the funding process immediately by substituting 5-percent bonds for the 6-percent 5-20’s as they matured (Sherman [1866] 1879: 92, 101-103).

The new bonds were to be placed in international markets, transferring the debt abroad. Americans, who held ninety percent of the debt at the end of the war, had grown accustomed during the war to high rates, but 5-percent bonds could be competitive in the City of London, where consols bore a meager 3 percent (Sexton 2005: 194). The federal government would then substantially diminish its interest payments. By this time, a year after the war's conclusion, military outlays had already been dramatically reduced (fig. 1). The following year, as Sherman no doubt anticipated, interest would become the federal government's top category of expense (fig. 1). Reduced interest payments therefore had a significant impact on the overall federal budget.

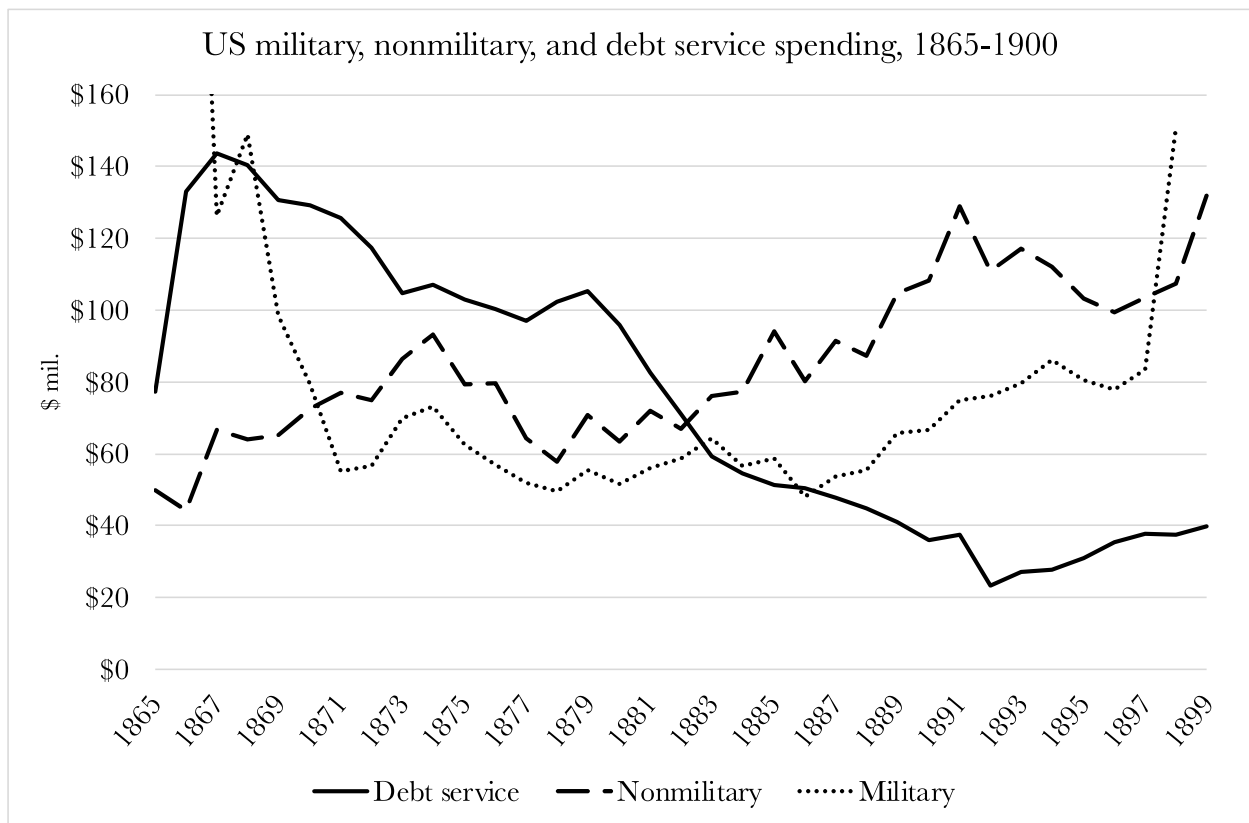


Figure 1. John Sherman's funding policy at work. After the Civil War, Republicans increased developmental expenditures while rapidly demobilizing the military. From 1868, debt service payments declined rapidly, sustaining a burst of spending before the Panic of 1873 brought deep cuts. Note: military spending excludes pensions. Source of data: Wallis 2006.

The benefits of the funding policy extended beyond the federal budget. Selling bonds abroad would pave the way to resume specie payments without contracting the supply of greenbacks. If sold for gold or gold exchange, the new bonds would directly increase the federal government's gold reserves, enabling it to resume specie payments. Alternatively, if foreign investors purchased the bonds with greenbacks, "the increase in foreign demand for American currency to transfer the loan" would bring the dollar's exchange rate closer to gold parity (Kindahl 1961: 36). This, it seems, is what Sherman ([1866] 1879: 96) meant by asserting that the greenback price of gold depended not on the quantity of outstanding greenbacks but on the "restored confidence of the people of this country *and of all nations* in the credit of the United States" (emphasis added). The issue was to reconquer European confidence in the American economy and the government's capacity to repay its debts. This is why, he wanted to give the Treasury Secretary authority to place bonds abroad payable in foreign currency (Sherman [1870] 1879: 255, 264-65, 270). Although Sherman did not explain all this in 1866, he assiduously repeated his ideas until they were embodied in the Funding Act of 1870 and up to actual resumption during his term as Treasury Secretary (Sherman [1870] 1879: 280). With respect to the macroeconomic trilemma, whereas McCulloch chose the pair of free trade and fixed exchange rates (via a rapid return to convertibility) at the expense of domestic price deflation, Sherman instead picked the pair of trade restrictions and domestic price stability together with a gradual return to the international specie standard through net capital inflow.

This choice followed from Sherman's vision of economic development. Sherman argued that the key to realizing the country's virtually unlimited entrepreneurial opportunities was to overcome the capital and cash scarcity that characterized developing regions such as the Midwest.

The interest rate available to private borrowers was thus an essential developmental flywheel, which was itself controlled to a significant extent by federal bond rates (Sherman [1876] 1879: 501). “The effect of these high rates paid by the Government is not only to absorb the floating capital of the country,” he maintained, “but to deter men from engaging in enterprise” (Sherman [1866] 1879: 106). “This unnatural rate has tended to deter new enterprises, to accumulate capital, and to increase prices; for interest is a large element in the cost of all commodities,” he later ([1870] 1879, 259) added. Part of the problem was that the federal rate exceeded that of state and local governments, damaging their capacities to finance needed infrastructure.⁹ “By paying these higher rate of interest we compete with every industry”, he added, explicitly counting railroads and manufacturers as victims (Sherman [1866] 1879: 107).¹⁰

The tariff remained the linchpin of the funding scheme because it provided the federal government with a reliable source of gold to pay interest charges, accumulate a specie reserve, and eventually discharge the principal on its debt. But a substantial increase of customs revenue could also result from “excessive importations” that would ultimately result in gold outflows (Sherman [1872] 1879: 342). For this reason, Sherman was anxious, despite his decidedly domestic economic orientation, to expand agricultural exports. As early as May 1866, he stated that “we can well afford to redeem our bonds with the superabundant produce of the West. Our cotton crop will yield us exchange enough to absorb all the securities held abroad” (Sherman [1866] 1879: 120). A

⁹ The states had less flexibility to borrow at high rates even if it seemed worthwhile. As a consequence of the fiscal squeeze suffered in the 1840s by the combination of heavy investment in canal construction and plummeting tax revenues following the Panic of 1837 (actually a series of financial crises spread over several years), many states strongly restricted the conditions under which new debt could be issued (Grinath *et al.* 1997; Gunn 1988: 144-170; Larson 2001: 195-224).

¹⁰ Sherman also thought that the capital and cash scarcity of developing regions could be remediated thanks to the National Banking system. He saw in the National Banking system an association of private enterprise with public interests that would “secure to the people a safe currency, of equal value in all parts of the country” (Sherman [1877] 1879: 594; see also ([1873] 1879: 397, see also [1870] 1879: 221; [1871] 1879: 334; [1878] 1879: 612, 637-38). He also hoped that the National Banking system would distribute banking capital more evenly and thereby close interregional interest rate gaps (Sherman [1874] 1879: 440-441).

decade later he thought the country could export not only “bread” but “manufactures of cotton, iron, and wool” (Sherman [1877] 1879: 582)—newly competitive industries themselves the beneficiaries of prior tariff protection (Sherman [1872] 1879: 291, 343, 346-47, 349-50, 351). Custom revenue would help build a reserve, both directly and indirectly by supporting the funding scheme. In turn, the reserve would credibly demonstrate the Treasury’s capacity to convert greenbacks on demand (Sherman [1877] 1879: 581). Hence, the tariff remained at the base of Sherman’s plans to achieve resumption, lower the domestic interest rate, and promote entrepreneurial development. By creating these opportunities and defending American wages, the tariff also encouraged immigration, including skilled labor (Sherman [1872] 1879: 347). Paradoxically, then, international integration of capital and migrant flows required barriers to international trade.

In the event, Sherman’s plan was largely the one the United States followed, albeit through a maze of political turns and a major global depression. In 1868 Congress rescinded McCulloch’s authorization to contract the greenback currency. A year later it promised to pay the principle and interest of the US public debt in gold, establishing an “equipoise” in the resumption debate that Unger (1964: 164) characterizes simply as “no contraction, no repudiation.” In 1870, Congress enacted the essentials of Sherman’s funding policy. Even before this, the Treasury was issuing new debt in Europe on an ad hoc basis, initially focusing on the continent, especially Germany (Thomson 2022: 165-78). By the 1870s, most of the federal debt was held in Britain and the decade’s “six refunding operations were conducted largely in London” (Davis and Cull 2000: 757; see also Sherman [1870] 1879: 264). It appears that the funding policy, together with various more or less explicit federal pledges to repay its debts in gold, helped to increase British demand for American bonds (Lewis 1938: 54-57). European investment in American businesses also

increased. The net inflow of capital to the United States rose dramatically in the period 1859-1868 and continued to rise through the next two ten-year periods (Lipsey 2000: 692-93, table 15.5).¹¹

Sherman guaranteed the ultimate success of his policy in 1874. Republicans were divided over the currency and appointed a “senatorial caucus committee” to hash out a solution. As chair, Sherman “came forward with a formula which succeeded in uniting the committee” (Unger 1964: 253). The plan followed the funding idea that he had proposed many times before, mandating resumption in 1879 and preparing the way by authorizing the Treasury to accumulate gold reserves via direct purchases and bond sales under the 1870 Funding Act (254). Underlying Sherman’s leadership, soft-money Democrats attacked the bill as “Sherman’s sham” while hardline Republicans criticized “Sherman’s Financial Bill” for its failure to precisely specify the route to resumption (261). But the “sham” allowed Sherman to deploy his own policies when he became Treasury Secretary in 1877. He then negotiated several gold loans, some placed abroad in collaboration with a syndicate of international bankers (351-70). Ultimately, as Kindahl (1961: 34) explains and Sherman ([1869] 1879: 197) well understood, deflation was necessary in order to resume specie payments at pre-war parity. Prices did indeed decline. But, as Sherman wished, resumption was achieved without either reducing or increasing greenbacks in circulation (Kindahl 1961: 46-47). Capital inflow contributed to this outcome by allowing a return to specie payments with less deflation (37-38, 47). According to Sherman ([1878] 1879: 606-7, 620-21), it was a combination of minimal contraction, economic growth, and the accumulation of gold enabled by debt refunding that assured a successful and relatively painless resumption of federal specie payments.

¹¹ However, from 1877 to 1881 there was an outflow that due to the “delayed European response to the fears engendered by the effects of the Panic of 1873” (Davis and Cull 2000: 740; see also Kindahl 1961: 37).

Whether Sherman's financial policy promoted economic development as he believed is another question, but there is some evidence in his favor. As Lipsey (2000: 695-96) shows, from "1860 to 1870, when the main foreign investment was in federal government debts," foreign capital inflows constituted "a source of financing for aggregate capital formation, permitting faster accumulation of capital than would have taken place if only domestic financing had been available." It appears that this capital inflow was particularly beneficial to the region that Sherman represented. According to Davis and Cull (2000: 755), "the first postbellum wave of finance – the wave that peaked in 1873 – was primarily associated with the expansion and near completion of the [railroad] networks in the East and Midwest." While the general economic effects of the tariffs are debated, we know that tariffs have encouraged "the production of the protected item" (Lipsey 2000: 727).

5. Sherman in Comparative Perspective

Historians and contemporaries have sometimes characterized Sherman as a political weathervane with no fixed policy coordinates (Randall 1932: 384-393; Unger 1964: 86-87; Weaver 1987). It is easy to see why. Federal finances after the Civil War were inescapably bound up with the complex problems of southern Reconstruction, western territorial expansion, and industrial class conflict. The resulting politics were byzantine, and anyone who survived their many traps and blind allies for as long as Sherman did had to be adaptable. Rather than follow Sherman through every twist and turn of this labyrinth, it is more illuminating to zoom out and compare him to other "finance ministers." Doing this will clarify the stakes of his policy choices and illustrate why the figure of the finance minister provides a useful addition to the historical toolkit.

Sherman was often compared to his predecessor, Alexander Hamilton (Bronson 1888: 65; Burton 1906: 279). There are indeed parallels in how they approached federal finance and

economic development. Much like Sherman, the country's first Treasury Secretary devised a program that began by having the federal government refinance war debt. The resulting federal bonds were to capitalize a national bank that could act both as the central government's fiscal agent and as a lever of private commercial finance. This arrangement depended on federal revenue collection via an impost, which Hamilton intended to provide mild protection for domestic manufactures (Sylla and Cowen 2019: 10-15; Brownlee 2016: 36-40; Knodell 2013: 289-293; Perkins 1997: 199-265).

But Hamilton's protectionism was much weaker than Sherman's. Hamilton had more reason to fear retaliatory tariffs in the era before Britain's turn to free trade. A more fundamental factor was the difference in the social visions that animated the two men. Hamilton grew up on the Caribbean island of St. Croix and made his career as a commercial lawyer in the port town of New York City (McCraw 2012: 11-24). He was deeply committed to the merchant patricians of the Northeast and the transatlantic trade on which their wealth and standing were built (Shankman 2003: 327-330; 2017). Customs duties therefore could not be so high as to seriously affect the volume of trade. Indeed, the tariff barrier was lower than it appeared because Hamilton directed his customs officers to accommodate importing merchants—for instance by deferring payment of duties until merchandise was sold (Rao 2016: 75-103). By contrast, Sherman, whose social point of reference was the midwestern interior with its middle-class farmers and small-town bourgeoisie, framed tariff provisions so as to produce the greatest revenue from the least importation. These duties were precisely intended to suppress imports, in addition to raising revenue. Indeed, Sherman ([1865] 1879: 86) claimed that excessive imports could cause “injury by exhausting us of gold and food.”

Hamilton did believe that manufactures were essential to national prosperity and economic independence. Instead of tariff protectionism, he favored targeted subsidies (“bounties”) and an ambitious scheme of semi-public enterprise called the Society for the Encouragement of Useful Manufactures. The Society was to be a vast industrial conglomerate founded with the aid of a generous corporate charter and various direct and indirect federal supports. Its stockholders were to be the new nation’s financial and merchant elite, giving them a stake in industrial development. But things did not go to plan and the Society promptly failed, though it did lay the groundwork for the emergence of Patterson, New Jersey, as an important early industrial district. Hamilton’s system of bounties was defeated by political opposition to its evident elitism. It was at this point that the strong protectionism to which Sherman was heir emerged as a politically appealing formula. Unlike bounties for specific firms, the tariff provided blanket government aid across entire industries, generating widespread support, especially in the northeastern interior and transappalachian West (Shankman 2003: 331-332; McCraw 2012: 128-129).

While the similarity of Sherman’s and Hamilton’s debt funding plans belies the social distance that separated them, surprising parallels connect Sherman to his rough contemporary, Masayoshi Matsukata, who became Japan’s finance minister in 1881.¹² Like the United States a decade earlier, Japan was then emerging from an expensive civil war, the Satsuma Rebellion, which obliged the government to print money and resulted in serious inflation (Ericson 2019: 9). Both countries had also experienced unusually fragmented monetary conditions in the prewar years (Helleiner 2018: 27-29), a situation attributable to the manner in which antebellum American federalism and Edo-era “centralized feudalism” dispersed power, respectively, to states and domains (Jansen 2009: 33). Indeed, Sherman and Matsukata each stressed the fundamental

¹² We follow the western convention of placing given name first and surname last. The Japanese tradition reverses the order.

importance of establishing a uniform national currency. Political decentralization before the civil wars also suggests how, just as Sherman developed his early ideas in the context of “state mercantilism,” Matsukata was deeply informed by “domanial mercantilism” (*kokueki shisō*) and the developmental policies of his native Satsuma domain (Roberts 1998: 2-10; Metzler and Smits 2010: 1-20; Helleiner 2021: 223-231). Finally, both Sherman and Matsukata were influenced by the developmental protectionist writings of Henry C. Carey (Helleiner 2021: 173-180; Lee 1957: 297).

Given these parallels, Matsukata may very well have wished to resolve the trilemma by following Sherman’s approach. But he was forced to do without protective tariffs. Unlike the United States, Japan’s customs policy was constrained by free trade treaties that western powers had compelled the Tokugawa regime to sign in the 1850s. Consequently, Japan’s leaders lacked the policy mechanism they would have preferred to control the trade balance, raise specie revenue, and support their industrialization drive. In the 1870s, Matsukata duly called for revising the unequal treaties in order to establish protectionism (Ericson 2019: 36-37). When the revision effort failed, he rejected a proposal by other Meiji oligarchs to back the currency with a massive British loan as too expensive and too risky. He feared the fate of the Qing and Ottoman Empires and believed that Japan could not expose itself to foreign loans at high rates, though he was not averse to borrowing abroad on more favorable terms, as he would demonstrate in the 1890s (Ericson 1819: 45-47; Sagers 2006: 121-122). Left with few immediate options to stabilize the exchange rate, Matsukata implemented a precipitate contraction of the domestic currency to move Japan toward first silver and then gold convertibility; explored alternative ways to promote exports with the aim of staunching silver outflows and building a government reserve to redeem the remaining outstanding notes; and, finally, establish the Bank of Japan on the basis of Belgian and German

models that enabled financial support for industrialization as well as domestic price stability (Ericson 2019: 88-111; Metzler 2006: 24-25, 30-32; Sagers 2006: 120, 127-128). In this he “paralleled the programs of contemporary statesmen elsewhere who tailored or eschewed classical liberal doctrines to meet nationalist and developmentalist goals” (Ericson 2019: 4). Japan’s exigencies, especially its powerlessness to chart an independent trade policy and its fear of colonial takeover, led Matsukata to resolve the trilemma by pairing a rather draconian currency stabilization agenda with a range of alternative methods to underwrite domestic development. Yet in many ways his vision and preferred policy approach conformed rather closely to Sherman’s, as both men pursued territorial consolidation via a uniform national currency and state support for domestic development.

Conclusion

The US policy mix of the late nineteenth century does not necessarily make strict economic sense: protectionism and a specie standard are not an obvious combination. However, this was the policy that the US followed in the formative period of its ascent to global economic leadership, thanks in no small part to John Sherman. Bense (2000) has notably explained the era’s protectionism as primarily a political device for keeping Republicans in power. However, by reconstructing how Sherman thought about this policy as a coherent combination, we show that there was also a multifaceted and distinctly economic reasoning for the policies that accompanied American economic development.

We characterize Sherman as a “finance minister,” a specific kind of “fringe economist,” whose drive to establish a national monetary system during the Civil War, followed by his endorsement of a protective tariff and debt funding, was aimed at steering the US towards the development of a diversified domestic economy. His policy making as Senator and policy

implementation as Treasury Secretary focused on maintaining stable domestic prices while moving toward gold convertibility, a middle course between the contractionary resumption associated with Hugh McCulloch and the various inflationary schemes associated with Henry C. Carey's circle and western farmer interests. It was Sherman's approach that won out: the country neither contracted nor expanded greenbacks in circulation and the debt funding policy allowed Sherman, as Treasury Secretary, to accumulate a specie reserve in preparation for what turned out to be a smooth resumption of specie payments (Timberlake 1964: 51).

There are only a few accounts of Sherman, none of which focuses on his economic thought (Burton 1906; Kerr 1908; Nichols 1934; Egnal 2007), but an analysis of his thought is needed. As Unger explains any analysis of the Reconstruction era "which fails to note the crucial role of strategically placed individuals grossly distorts reality. ... But above all, it is impossible to exaggerate the role of John Sherman, the supple master of accommodation. Following in the footsteps of his great Whig predecessors, he subordinated the ideal to the workable and succeeded where men more righteous, perhaps, had failed" (Unger 1964: 403, see also Richardson 2006: 84). We hope that by tracing the links between ideas, policies, and visions of economic development, this paper not only contributes to the history of economic thought, but also sheds light on the construction of the American state and the influence of economic ideas in state development during the formative years of American capitalism.

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