Community Constraints on the Efficacy of Elite Mobilization: The Issuance of Currency Substitutes during the Panic of 1907[1]

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Organizing collective action to secure support from local communities provides a source of power for elites to protect their interests, but community structures constrain the ability of elites to use this power. Elites' power is not static or self-perpetuating but changing and dynamic. There are situations in which elites are forced into movement-like struggles to mobilize support from their community. The success of elites' mobilization is affected by cultural and structural factors that shape the collective meaning of supporting elites' actions and the identities that are formed in doing so. I find broad support for these propositions in a study of the issuances of small-denomination currency substitutes in 145 U.S. cities during the Panic of 1907. I discuss the contributions of this article to elite studies, the social-movement literature, and the sociology of money.

Sociologists have long been interested in studying elite mobilization. Because mobilization is an instrument of social change, studying elite mobilization can enhance our understanding of how elites influence our society

[1] I thank Peer Fiss, Paul Ingram, Kelly Patterson, Hayagreeva Rao, and seminar participants at the University of Southern California Marshall School of Business, the University of Chicago, the University of California, Los Angeles, Stanford University, the Organizational Theory Junior Faculty Workshop, the Academy of Management Meeting, and the American Sociological Association Meeting for their advice. I am grateful to the *AJS* reviewers for their helpful suggestions. Direct correspondence to Lori Qingyuan Yue, Marshall School of Business, University of Southern California, 3670 Trousdale Parkway, Bridge Hall 306, Los Angeles, California 90089. E-mail: qyue@marshall.usc.edu

0002-9602/2015/12006-00XX$10.00

and how they acquire power and resources. In a series of landmark studies, researchers have found that elites mobilize through overlapping social networks when contributing to political action committees (Burris 1987, 2005; Mizruchi 1992), testifying before Congress (Mizruchi 1992), and influencing policy formation (Akard 1992; Vogus and Davis 2005; Dreiling and Darves 2011). They have also found that antiunion legislation such as the Taft-Hartley Act and right-to-work laws were the results of business owners' mobilization through trade associations and other elite organizations (Haydu 1999; Dixon 2007, 2008, 2010). Overall, these investigations paint a picture of elite mobilization with two salient features: (1) elites coordinate among themselves, and (2) they mobilize to influence institutionalized channels to achieve outcomes that serve their interests. The focus on these two features is understandable, considering that elites are often defined as a small social group that occupies the command posts of key societal institutions (Hunter 1953; Mills 1956; Domhoff 2009). Since elites control major institutions, they are able to advance their interests through institutionalized channels. If formal institutions operate to strengthen their advantages, then elites' dominance tends to self-sustain and there is little need for them to turn to noninstitutional means such as mobilizing support from ordinary citizens.

This stylized image of elite mobilization has recently been challenged by a growing body of work at the intersection of elite studies and social movements. Researchers have found that institutionalized power may be curbed by the actions of insurgent groups and that elites can be temporarily displaced from intimate connections to channels of power. As a result, elites' advantages are dynamic and changing rather than static or self-perpetuating. When formal institutions are inadequate to protect elites' interests, they actively seek support from other social groups. From some of America's richest citizens deploying mass mobilization to demand tax cuts (Martin 2010, 2013*a*, 2013*b*) to corporate executives recruiting grassroots supporters to act on their behalf (Walker 2009, 2014), to wealthy Kyrgyzstani persuading community members to participate in a revolution (Radnitz 2012), to English merchants coalescing across social sectors before the Civil War (Hillmann 2008), elites, both across countries and over time, have adopted movement-like tactics to mobilize the public to support their institutional projects. The public can aid elites in numerous ways, amplifying their voices in fighting unfavorable policies, escalating the scope of controversy to alter the balance of power, bailing them out from a financial crisis, or simply providing a form of populist window dressing for their action. In sum, mass support provides elites with an additional source of power.

In spite of their potential power, however, elites may face obstacles in utilizing it. In an analysis of a land development project in Denver, Duffy, Binder, and Skrentny (2010) found that elites were ruled out as legitimate

players in leading community changes because other community members suspected that they were acting out of self-interest rather than for the good of the whole community. The public's mistrust of elites can be explained, in part, by the disparity between elites and the rest of the society. As power elite theory predicts, when elites obtain advantages at the expense of other social groups, the public tends to view elite-led institutions with skepticism. In addition, power depends on the logic of a field, and an elite's status may be domain specific rather than absolute. When elites attempt to enter a new field or promote a new institutional program, they may be no better positioned than other resource-poor actors. Thus, an intriguing question is why the public would trust and participate in programs promoted by elites, especially in a context where participation is voluntary. What are the factors that influence the success of elite mobilizations that need public support?

To explain the success of elite mobilization, the current literature has examined internal factors. Traditional studies of elite mobilization have investigated the linkage between elites' immersion in overlapping social networks and institutional consequences, emphasizing the role of a high level of cohesion in building up consensus, mobilizing resources, and solving the free-riding problem (e.g., Mizruchi 1992; Burris 2005; Dreiling and Darves 2011). While the recent studies have recognized elites' dependence on other social groups, researchers have either similarly focused on elites' own efforts (such as policy crafting or professional recruiting) in overcoming external obstacles (e.g., Martin 2010; Walker 2014) or have assumed that there are needy communities eager to answer to the call of elites in order to reciprocate their beneficence (e.g., Radnitz 2012). It remains unclear how external factors such as community structures may affect the emergence and success of elite mobilization. Shedding light on the role of external factors is important because it is fundamental to the view that elites are embedded not only within a network of social and political connections with one another but also within a larger community that includes other social groups. In other words, rather than being a dominant group that single-handedly shapes the order of a field, elites are sometimes constrained by the larger community in which they are embedded.

The idea that elites are embedded in a host of community relationships and need a supportive environment to carry out their initiatives bears a resemblance to the findings of social-movement scholars regarding opportunity structures. Social-movement scholars have found that the effectiveness of activists' mobilizations is constrained by environmental factors such as the openness of a political system, the existence of patronage politics, and the sympathy of political elites (Amenta, Carruthers, and Zyland 1992; Skrentny 2006; Soule 2009). Moreover, Rao, Yue, and Ingram (2011) have argued that the theory of opportunity structures applies not only to activ-

ists but also to corporate actors and found that a local community's pro- or antibusiness climate will magnify or reduce, respectively, the effectiveness of corporate efforts in fending off activists' attacks.

In this article, I draw upon both classical social conflict theories and recent scholarship produced by economic sociologists, political scientists, and social-movement scholars to argue that institutions are an outcome of social interaction between actors confronting one another in a field. Institutions are often loaded with power implications because they reflect the attempts of powerful actors to defend their privileges vis-à-vis other less powerful social actors (Fligstein and McAdam 2012). Therefore, in a situation where the power connotation is absent and compliance is voluntary, elites, just like other types of movement activists, need to mobilize community members to support their actions. The determinants of elites' success include not just community members' rational calculations about costs and benefits but also cultural and structural factors that shape the collective meaning of the community members' support for elites' actions and the identities that are formed from their doing so. Therefore, elites are more likely to mobilize support in communities where structural conditions facilitate the formation of a collective identity that links divergent social groups. Bonding structures such as equality, homogeneity, and intercommunity rivalry that nurture intracommunity cohesion, as well as legitimation driven by intercommunity diffusion and favorable ideologies, are likely to increase the efficacy of elites' collective action to promote an institutional project.

I test these theoretical propositions in the context of the issuances of bankers' currencies during the Panic of 1907 in 145 U.S. cities with a population larger than 25,000. The Panic of 1907 was the largest nationwide financial crisis before the Federal Reserve was established in 1914. Lacking support from the government, bankers in many communities sought private solutions by issuing currency substitutes to the public to help their banks survive the financial crisis. The issuance of currency substitutes was a course of collective action by local, organized bankers with self-interested goals. To make the issuance possible, bankers needed to mobilize among themselves, and they also needed the public's support. Although a community-wide alliance might not have been required, the level of community support would affect the direct utilities that bankers drew from issuing currency substitutes. After all, if their currencies would face strong resistance or have only limited circulation, bankers would not have bothered to incur the cost of collective action. Therefore, community structures might affect bankers' ability to mobilize and help to explain the various outcomes achieved by bankers in different communities. Considering how community structures constrain elites' collective efficacy, this article suggests that elite power depends on the communities in which they are embedded.

THEORY AND HYPOTHESES

Elite Mobilization and Institutional Change

Elite mobilization has been extensively studied by power elite theorists. Power elite theorists consider the power in a society to be concentrated in the top positions of key hierarchical organizations and regard elites as controlling decision making by controlling major social institutions (Hunter 1953; Mills 1956; Domhoff 2009). Elites coordinate among themselves through dense, overlapping social networks (Palmer, Friedland, and Singh 1986; Kono et al. 1998). Because elites are "incumbents" who benefit from existing social arrangements, they are often defenders of institutional stability. When they want change, elites tend to resort to the channels with which they are familiar and have influence over, such as government decision making and public policy formation. Empirical research in this tradition has focused on documenting the operation of elite networks on institutionalized outcomes (e.g., Burris 1987, 2005; Mizruchi 1992; Vogus and Davis 2005). Power elite theory implies that elite power tends to self-sustain. If power is maintained and reproduced through a network of organizations that is responsible for maintaining the general social structure, elites would have no incentives to change a structure that works in their favor. Thus, elite-favored social institutions tend to persist and, if there is an increasing return to power, even expand. As such, power elite theorists have viewed elites' power as being independent of the rest of the society and explained institutional changes by using exogenous shocks that reshuffle power relations in a field (Fligstein 1996).

While power elite theorists have emphasized the dominance of elites and the stability of their power, social-movement scholars have studied disadvantaged groups' struggles to challenge power structures and the resulting social changes. Rooted in studies of the politics of the 1960s, the social-movement theories propose that, because disadvantaged groups are denied access to institutionalized channels, they have to rely on noninstitutional tactics such as rallies, protests, and boycotts to challenge the state and elites that dominate them. Elites have not been absent from disadvantaged groups' struggles for changes, but they are often viewed as an external resource for a given movement: they rarely directly initiate or involve themselves in the ongoing operations of mass mobilization, and the motivation for involvement does not necessarily correspond with the goals of a movement (Pichardo 1995; Skrentny 2006; Lindsay 2008; Duffy et al. 2010).

Yet this division of labor between power elite theory explaining elites' dominance and power perpetuation and social-movement theories explaining subordinate groups' struggles and institutional changes has recently been challenged. In one way, recent research has shown that formal institutions alone may not be adequate to protect elites' interests, and in some

situations they even work against elites' interests. Radnitz (2012) showed that wealthy actors in central Asia were victims of predatory regimes, and Gould (1996) found that state centralization in the postrevolutionary United States eclipsed elites' influence in their local districts. In addition, elites are not always unified but are composed of competing segments (Lachmann 2003). For example, scholars have documented the conflict between the Eastern banking elites and their counterparts in the Midwest and South at the turn of the 20th century (Mizruchi 1982; White 1983). When facing competition from other geographical areas, elites can protect themselves by securing support from their local community. So there are situations in which elites may be forced into movement-like struggles.

In another way, recent social-movement research has shown that social movements are actually conducted by diverse constituents with a wide range of claims (Meyer and Tarrow 1998; McAdam et al. 2005; McAdam and Boudet 2012; Wright and Boudet 2012). In a large study of collective civic engagement in metropolitan Chicago, McAdam and colleagues (2005) found that protest events that took place between 1970 and 2000 were mostly peaceful, routine, and local events led by the economically advantaged. In a series of studies of tax revolts, Martin (2010, 2013*a*, 2013*b*) showed that advocates of the rich people adopted political outsiders' tactics such as demonstrations, petitions, and mass meetings when demanding upward-redistributive policies. Similarly, Walker (2009, 2014) found that corporate elites' resorting to grassroots mobilization strategies has resulted in the proliferation of professional hiring companies. Industry groups used these companies' services to recruit the broader public to participate in their campaigns. These studies show that movement-style tactics are not just a last resort for disadvantaged groups but are also utilized by well-heeled individuals.

The increasing dialogue between researchers studying business elites and those studying movements has promoted the recent development of the literature that examines politics in the market from the social-movement perspective (e.g., Davis et al. 2005; King and Soule 2007; Ingram, Yue, and Rao 2010; Fligstein and McAdam 2012). Drawing on the classical social conflict theories of, among others, Marx (1978), Weber (1968), Collins (1975), and Tilly (1978), this new literature views markets as locations of "negotiated settlements and institution-building projects that arise out of conflicts" (Bartley 2007, p. 299; King and Pearce 2010). Collective action is the attempt by social groups to defend or reset the rules of the game in order to control their environments in a fashion that benefits themselves. It is a rational and goal-directed activity, regardless of whether it is initiated by the advantaged or the disadvantaged. Building an institution to stabilize a field requires mobilization, which takes place both within the championing group and between it and other social groups. Hence, for field leaders, mobilization is

a coalition-building process, the success of which depends on social structures and requires social skills. Institutional outcomes may not reflect the goals of any particular group but depend on the conflicts and cohesion between different social groups.

Thus, the theories of conflicts and cohesion between social groups may enhance our understanding of the external constraints of elite mobilization. The Marxian tradition of social conflict theory has emphasized that patterns of inequality generate inherent conflicts of interest between property-owning elites and subordinated groups. In a community rife with conflicts that target those who gain wealth at the expense of others, the institutional programs promoted by elites are unlikely to receive wide support. Besides material interests, the Weberian tradition of social conflict theory adds means of emotional production as another sphere of interest conflict. Acknowledging the role of social interaction in arousing emotions and that of strongly held beliefs in shaping behaviors, this tradition of theory holds that sharing a common identity or participating in the same religious rituals creates a sense of solidarity within a community. Moreover, conflict with other social groups provides an additional source of meaning and identity that motivates people to support each other (Simmel 1955; Coser 1956). Hence, structures such as racial and religious homogeneity and intercommunity rivalry may help elites induce cooperation from other community members. In addition, similar to the way in which existing political opportunities affect challenger groups' efforts in social movements (McAdam 1982; Meyer 2004), a favorable political ideology in the context may also facilitate the efforts of elites to mobilize support from the public.

In sum, elites' actions are constrained by relationships with other social groups within a larger community context. Elites' advantages are not self-perpetuating but need to be maintained through actively mobilizing support and constantly resolving institutional ambiguities. As a result, elites do not always single-handedly shape the order of a field, but rather, just as other challenger groups do when mobilizing support from potential adherents, they need to problematize a situation, assign blame to an outside group, set their proposed institutional project as the solution to that problem, and tie the solution to the identity of community constituents. This was exactly what bankers did to issue currency substitutes during the Panic of 1907.

Banking Problems in the National Banking Era

The United States did not have a uniform currency until the National Banking Act was passed in 1863. Before that, American currency consisted of bank notes and coins, with notes convertible to gold or silver (also known as "specie convertibility"). Each state bank could issue its own bank notes, and it was estimated that as many as 7,000 different kinds of bank-

ing notes were in circulation just before the Civil War (Helleiner 1999). During the war, the government depleted its gold reserves and had to suspend specie convertibility. To finance the war, the government issued a fiat money called "greenbacks" that was backed not by gold or silver but by the credibility of the government. The 1863 National Banking Act established federally chartered national banks, which issued notes that were uniform in design and accepted at par throughout the country. Notes issued by national banks had to be secured by the purchase of federal government bonds. For each $100 purchase, national banks could issue $90 of notes. The National Banking Act that was passed in 1865 further imposed a 10% tax on notes issued by state-chartered banks. This action assured that state banks could no longer deprive the federal government of potential revenues from bond sales to national banks. The 10% tax essentially forced state banks' notes into retirement from circulation. These steps laid down the foundations of a uniform currency in the United States. Not coincidentally, they were designed partially to finance the Civil War.

The Civil War–related financial reforms generated a series of consequences in the period between the close of the war and the early 1900s. One was the political debate surrounding the gold standard (see Carruthers and Babb [1996] for details). By the end of the Civil War about $450 million of greenbacks were in circulation, causing wartime inflation. As a result, greenbacks' value greatly depreciated in relation to gold, and the value in gold of $100 greenbacks was down to about $35 in 1864. Bankers and other creditor-bondholders advocated returning to specie payment, which they could use to redeem the government bonds that they had purchased using depreciated currency during the war, therefore reaping a windfall profit. The burden, of course, would fall on taxpayers and debtors. Thus, the country's manufacturing class, including farmers, opposed returning to specie payment and advocated inflationary monetary policies. Eastern financial elites who were major government bondholders dominated financial policy formation during this period and won the debate. Specie convertibility resumed in 1879. To return to the gold standard, the government adopted a policy of monetary contraction by holding the money supply constant, despite the expansion of both the population and the economy. Contraction inflated the value of greenbacks to the point where it was no longer profitable to redeem paper dollars in gold, but it also caused a mass tragedy for the nation's debtor groups like farmers as crop prices dropped and interest rates rose. The postwar policy that benefited banker-creditors at the expense of the nation's producer-debtors was the origin of the populist revolt (Goodwyn 1976).

In addition, the provision of note issuing against the security of government bonds created the problem of inelasticity of bank note issuances. On the one hand, the supply of notes was related to the movement of in-

terest rates rather than to the offsetting of cyclical increases in demand. High interest rates (meaning that bond prices were low) induced an expansion in the volume of notes irrespective of need, and the reverse was true in the case of low interest rates (high bond prices). As a result, the elasticity of bank notes tended to run counter to the needs of business, expanding and contracting at the wrong times (Whittlesey, Freeman, and Herman 1963). On the other hand, the supply of U.S. bond collateral set absolute limits on the issuance of notes by national banks. From 1866 to 1871, the expanding federal debt ensured an adequate supply of currency issued by national banks. But, since 1871, and especially after 1882, the U.S. Treasury consistently ran a surplus and started to retire government bonds (Solomon 1996). The scarcity of U.S. government bonds made it difficult and expensive for national banks to issue notes.

The National Banking Act also established federally mandated requirements for bank reserves. Central reserve city banks (i.e., those in New York City and, after 1887, Chicago and St. Louis as well) were required to keep 25% of their notes and deposits in reserves. Reserve city banks (i.e., those in other cities with populations over 500,000) were allowed to keep half of their reserves in vault cash while depositing the other half into central reserve city banks. Country banks (i.e., all other national banks) only had to keep a minimum reserve ratio of 15%, and they were also able to deposit 60% of the reserves in reserve city or central reserve city banks. This set of requirements resulted in a pyramid structure, with bank reserves concentrated in New York City.

There were two salient problems under the pyramid structure. One was that the concentration of reserves enriched the resources controlled by New York banks, and some of them used the funds to finance stock speculations. New York banks' advantages provoked the jealousy of many bankers in the Midwest and South, and they accused New York bankers of creating financial volatility (Wicker 2000). The other problem is that at the slightest signal of banking unrest in the New York money market, country banks and the reserve city banks would attempt to withdraw their deposits. This withdrawal would contract the reserves of New York banks, posing the immediate threat of the suspension of cash payments (Wicker 2000). Together, the pyramid structure of reserve holdings, an inelastic currency, and the absence of a central regulating agency made the National Banking era particularly prone to financial crises. This was the setting of the Panic of 1907.

The Panic of 1907 and the Suspension of Cash Payments

The Panic of 1907 was triggered by the failure by Augustus Heinze and his associates to corner the stock of the United Copper Company on Oc-

tober 16, 1907. As news spread, depositors rushed to withdraw money from the banks and trust companies that had financed this stock speculation. Because the New York Clearing House Association failed to take immediate actions to rescue the market, contagious bank runs spread to other banks and trust companies.[2] One week later the Knickerbocker Trust Company, the third largest trust company in New York City, collapsed. Knickerbocker's collapse significantly deepened the market crisis, as interior banks started to withdraw reserves from New York banks. Panic spread across the nation as vast numbers of people withdrew deposits from their regional banks. As Sprague (1910, p. 259) described, "Everywhere the banks suddenly found themselves confronted with demands for money by frightened depositors; everywhere, also, banks manifested a lack of confidence in each other. Country banks drew money from city banks and all the banks throughout the country demanded the return of funds deposited or on loan in New York."

In less than 10 days after the failure of Knickerbocker, interior banks' withdrawals resulted in a $53 million deficit in banking reserves (Sprague 1909). The New York Clearing House Association suspended cash payments on October 26. Following this, a virtual nationwide restriction of cash payments ensued.[3] Cash payment was not resumed in New York City until January 1, 1908 (James, McAndrews, and Weiman 2013).

Cash War and the Issuances of Currency Substitutes

The suspension of the shipment of currency throughout the country resulted in a cash war across regions. Banks everywhere felt the necessity of keeping on hand a large amount of cash to protect themselves in the event of a run. Bankers called on local residents to keep their money in banks within their communities. In Salem, Oregon, a local newspaper called it "a patriotic duty to help banks by leaving funds in them" (*Daily Capital Journal*, November 7, 1907, p. 1). In Bend, Oregon, people were advised to

[2] The New York Clearing House Association (NYCHA) was the private regulation program for banks located in New York City from 1853 to 1913. Besides its daily duty of facilitating check clearing and settlements between members, the NYCHA served as the lender of last resort during a financial crisis by issuing clearinghouse loan certificates. It was a prime agent in stemming the tide of financial crises during the National Banking era (see Yue, Luo, and Ingram 2013 for details about this institution).

[3] Demand deposit, an alternative type of money supply, grew quickly during this time period. Although demand deposit compensated for the lack of currency at normal times, a high level of demand deposit actually made the cash stringency problem worse during a financial crisis. Owing to the lack of deposit insurance at the time, depositors would all attempt to cash their deposit during a crisis, and this increased the demand for currency (James 1978). Demand deposit was subjected to be cashed out anytime and thus was especially subject to bank runs.

make remittances to outside parties through a bank draft instead of a post office money order in order to keep the cash within the local community (*Bend Bulletin*, November 15, 1907).

Since the note issuing was inelastic and there was no central bank in the United States at the time to relieve the situation,[4] bankers devised ingenious methods to meet the demand for currency by issuing private currency substitutes. There were two types of substitutes: the clearinghouse certificates used among banks and the small-denomination currency substitutes intended for public circulation. The clearinghouse loan certificates were not an innovation during the Panic of 1907. They were first adopted during the Panic of 1857 by the New York Clearing House Association and had been repeatedly deployed during the National Banking era by clearinghouses throughout the country. Clearinghouses were institutions composed of local banks for collecting and clearing checks. During financial crises, clearinghouses issued loan certificates to financially stressed member banks, which could use them in place of currency in the clearing process, freeing cash to satisfy the demands of depositors. In this way, loan certificates served as a medium to transfer cash from banks with surpluses to stressed banks so that members could survive bank panics. In essence, the clearinghouse loan certificates were a type of mutual lending among banks (Gorton and Mullineaux 1987; Gorton and Huang 2003). Used exclusively for settlements between banks, the clearinghouse loan certificates were not an infringement of the National Banking Act and therefore were legal.

The small-denomination currency substitutes issued for public circulation, however, were largely illegal. Small-denomination currency substitutes first appeared during the Panic of 1893 and were used by banks in a small number of communities in Georgia to pay their customers. But during the Panic of 1907, small-denomination currency substitutes were widely adopted for the first time, and the issuing volume was estimated to be more than $250 million (Andrew 1908). They were in convenient denominations of $5, $10, and $20, and in some places the denomination went down to as low as 25 cents. Figure 1 demonstrates two examples of small-denomination currency substitutes issued during the Panic of 1907. As the $2 currency substitute in figure 1 illustrates, small-denomination loan certificates were issued in some places that had no clearinghouses. In these places, they were issued by the temporarily united "associated banks." These currency substitutes were backed not by the purchase of government bonds but by all kinds of bank assets. For example, those issued in Portland, Oregon, were "based upon deposits of notes, bills of exchange and other negotiable in-

[4] The two early central banks, the First and Second Banks of the United States, existed from 1791 to 1811 and from 1816 to 1836, respectively.

FIG. 1.—Samples of small-denomination currency substitutes issued during the Panic of 1907. (Photo source: New York Clearing House Association)

struments that are secured by wheat, grain, canned fish, lumber actually sold and other marketable products or paper approved by the committee that has been appointed by the association and by which the certificates will be issued" (*Bend Bulletin*, November 15, 1907, p. 2).

In addition, according to the National Banking Act, notes issued by state banks were subject to a 10% tax, but nobody bothered to become concerned about this. The government, equipped with limited means to relieve the currency stringency, adopted a tolerant attitude toward these illegal currency substitutes. As B. F. Carroll, the banking auditor of Iowa, wrote to the bankers of that state,

> I therefore suggest that you . . . take such precautionary steps as may be necessary in order to protect your interests and the interests of your depositors. The department will temporarily permit such latitude as to reserve and other legal restrictions as circumstances may demand. You should take the depos-

> itors into the confidence of the bank; fully explain to them the situation and ask them to cooperate to the extent of accepting checks, drafts, and other forms of credit where the same can be used current and to withdraw just as small amounts of cash as is possible for them to use in the transactions of their business. (Quoted in Andrew 1908, p. 500)

To be sure, small-denomination currency substitutes were not universally welcome. The cashier's checks issued in St. Louis were questioned by some bankers for possible conflict with the currency law (*New York Times*, November 4, 1907). In Danville, Illinois, 4,000 miners went on strike, demanding cash pay (*Bakersfield Californian*, November 4, 1907). Moreover, Paul M. Warburg published an article in the *New York Times* (November 14, 1907, p. 8) to highlight the "danger of emergency currency," arguing that it was bad practice to allow a bank to issue unsecured notes, which in his opinion would only inflate banking stocks. William Jennings Bryan (1907, p. 5) similarly criticized the currency substitutes as a self-serving practice on the part of bankers. He argued that the issuing of currency substitutes, as attempts to cover up banks' irresponsible operations, would hurt community interests:

> It is a panic breeder instead of a panacea; it would aggravate rather than relieve the situation. It would increase the bank's liabilities just at a time when depositors are fearful that the bank cannot meet present liabilities. The need of elasticity has been very much exaggerated; if banks would prepare in advance for "moving crops" and for such other future demands as may be reasonably expected they would not be confronted by so many "emergencies." The trouble is that they loan to the limit in ordinary times and therefore have no reserve available for the usual demands.

The puzzling question is why bankers were able in some communities, but not others, to overcome the resistance and issue small-denomination currency substitutes. To issue currency substitutes, bankers needed to be united in the first place. After all, this was a course of collective action, and a high level of cohesion would help to solve the free-riding problem among elites and increase their ability to mobilize. Yet, to make bankers' currency flow, other community members had to be willing to accept the pieces of paper that bankers handed them as "money." Thus, the efficacy of bankers' mobilization may be affected by community receptivity to currency substitutes because bankers would be less likely to act if they could obtain only limited benefits from their action. To illustrate these points, I turn to the nature of money.

The Social Nature of Money and Community Conditions

Money is a social phenomenon, and its nature reflects a form of social interaction. As George Simmel (2004 [1907], p. 172) argued in *The Phi-*

losophy of Money, "a certain comprehensiveness and intensity of social relations is required for money to be effective." He suggested that "[o]nly in a stable and closely organized society that assures mutual protection and provides safeguards against a variety of elemental dangers, both external and psychological, is it possible for such a delicate and easily destroyed material as paper to become the representative of the highest money value" (Simmel 2004 [1907], p. 172). Marx and Weber emphasized the function of money in transforming society, and modern research on money has pointed to the roles of social culture and interest conflicts in conditioning the usage and perceptions of money (e.g., Zelizer 1989, 2011; Carruthers and Babb 1996). If money contributes to the extension of activities from individuals to communities and reflects the development of a widened circle of interdependence, the question regarding the public's acceptance of small-denomination currency substitutes boils down to where the trust conferred upon bankers has come from.

The public's confidence in money does not have to depend on the state's authority. Historically, stones, shells, tobacco, cigarettes, and cattle have all served as money. As Frankel (1977, p. 35) put it, money is "a certain disposition, willingness and aptitude in society which could be counted upon to ensure, as a matter of justice, the maintenance of the monetary order through law or custom," and "*all that is necessary* is community agreement to *establish* such a system" (p. 49, italics in original). The small-denomination currency substitutes issued during the Panic of 1907 were no exception. If currency substitutes were not accepted within a community, then they would not differ from valueless paper. As the currency substitutes found their way from all of the city banks to businesses, factories, hotels, and homes, they affected "the interest of every person, poor or rich, capitalist or laborer" (*San Francisco Call* 1907*b*). To enable the successful flow of currency substitutes, there had to be sufficient confidence in a community that bankers could be counted on to ensure the maintenance of the monetary order.

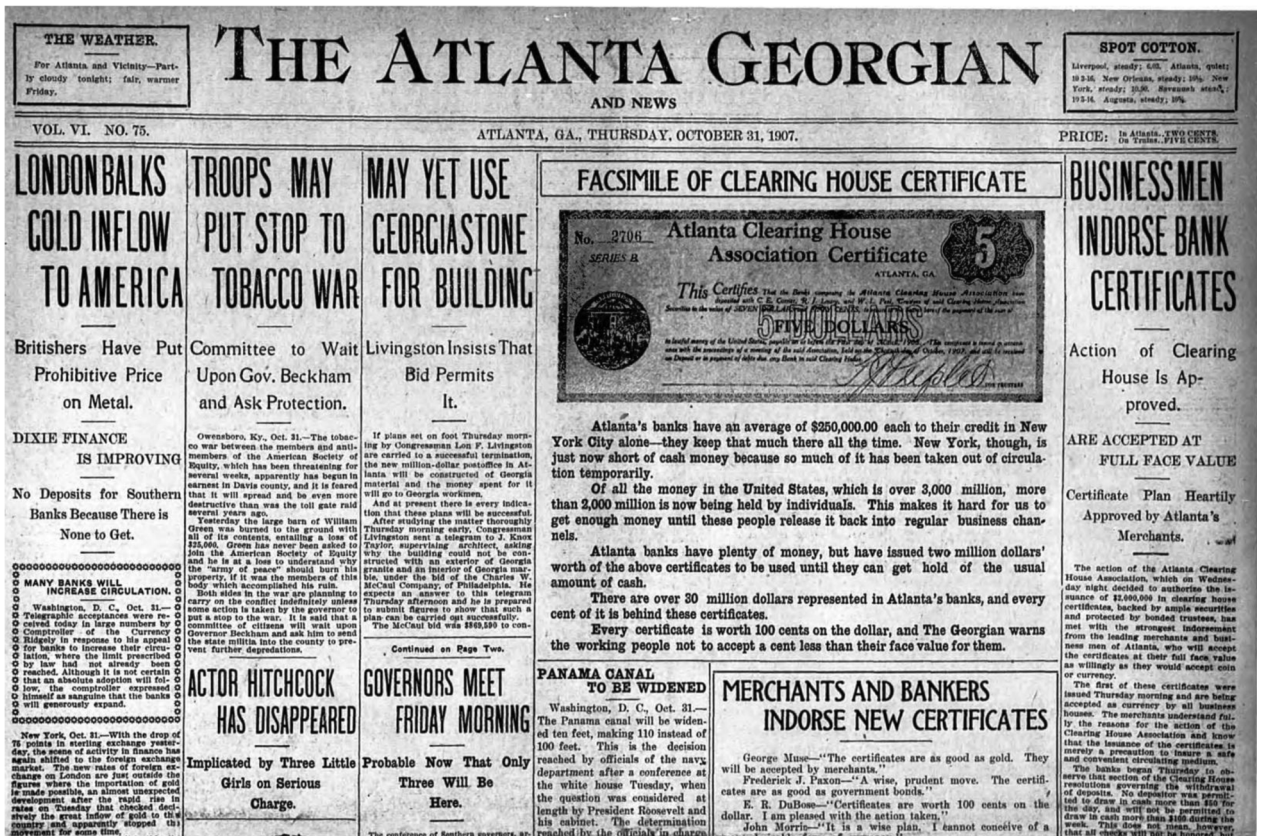
Elite Cohesion.—Cohesion is critical for elites to play a leadership role in a community. Unified elites are more likely to convert their resources into power. Elites coordinate their efforts through social networks, and overlapping networks help to spread information and build consensus. Thus, network cohesion increases the efficacy of mobilization among elites. In order to issue small-denomination currency substitutes, bankers needed to form a united front. One bank or a small number of banks would not issue currency substitutes because this action might be construed as indicating unsound conditions. In addition, once the currency substitute program was established in a community, all banks would have an incentive to participate in it because if they did not they would run the risk of being drained

of money. Moreover, during a financial crisis banks had incentives to rescue their rivals because of the fear of contagious bank runs (Calomiris and Gorton 1991). As a result, the issuances of currency substitutes usually involved all the banks in a community.

As such, bankers faced a free-rider problem. To issue currency substitutes, banks pooled their resources, which meant that the payment of these substitutes was not the liability of one single bank but of all associated banks. As Warburg (1907) observed, it was very doubtful whether the stronger banks would consent to a joint guarantee by all the banks for the entire amount of unsecured currency substitutes. He concluded that this could be done only if stronger bankers could exercise control over their sister banks. The control is stronger if bankers within a community are more fully connected, as connections supply a mechanism for enforcing norms (Homans 1950; Coleman 1990).

To urge the public to accept the currency substitutes, bankers often issued joint public statements to show their unanimous support for the collective action. They also initiated communication campaigns in local newspapers to educate the public on the need to issue currency substitutes and to highlight the benefits that the currency substitutes would bring to the local economy. They provided detailed explanations of how the currency substitutes worked and emphasized security by pledging joint guaranty of payment. In addition, bankers also allied themselves with other economic elites in a local area and asked them to endorse their currency substitutes. Figure 2 shows the front page of the *Atlanta Georgian* on October 31, 1907, in which leading bankers and merchants touted these substitutes as being, for instance, "as good as gold," "a wise, prudent move," "worth 100 cents on the dollar," or "the best money in the world." Similarly, in San Francisco, wholesalers, grocers, and managers of other major mercantile houses, at bankers' request, declared their acceptance of the currency substitutes in local newspapers. As John Rothschild, the head of a grocery company, said, "It [the currency substitute] will give the financial market time to right itself, which I am sure it will do in a short time if the business interests of the community will work as a unit" (*San Francisco Call* 1907c). Bankers also deployed the cooperation of other economic elites to persuade others to accept their currency substitutes. For example, a banker in St. Louis tried to convince a recalcitrant customer to use currency substitutes to pay his employees by saying, "Give the men checks. They're good at the butcher's and the baker's" (quoted by Horwitz 1990, p. 643). Thus, I predict that the issuance of small-denomination currency substitutes was more likely in communities where elite cohesion was high.

HYPOTHESIS 1.—*Small-denomination currency substitutes were more likely to be issued in a community with a high level of elite cohesion.*



THE WEATHER.

For Atlanta and Vicinity—Partly cloudy tonight; fair, warmer Friday.

THE ATLANTA GEORGIAN

AND NEWS

SPOT COTTON.

Liverpool, steady; 6.63. Atlanta, quiet; 10 3-16. New Orleans, steady; 10%. New York, steady; 10.90. Savannah steady; 10 3-16. Augusta, steady; 10%.

VOL. VI. NO. 75. ATLANTA, GA., THURSDAY, OCTOBER 31, 1907. PRICE: In Atlanta...TWO CENTS. On Trains...FIVE CENTS.

LONDON BALKS GOLD INFLOW TO AMERICA

Britishers Have Put Prohibitive Price on Metal.

DIXIE FINANCE IS IMPROVING

No Deposits for Southern Banks Because There is None to Get.

MANY BANKS WILL INCREASE CIRCULATION.

Washington, D. C., Oct. 31.—Telegraphic acceptances were received today in large numbers by Comptroller of the Currency Ridgely in response to his appeal for banks to increase their circulation, where the limit prescribed by law had not already been reached. Although it is not certain that an absolute adoption will follow, the comptroller expressed himself as sanguine that the banks will generously expand.

New York, Oct. 31.—With the drop of 75 points in sterling exchange yesterday, the scene of activity in finance has again shifted to the foreign exchange market. The new rates of foreign exchange on London are just outside the figures where the importation of gold is made possible, an almost unexpected development after the rapid rise in rates on Tuesday that checked decisively the great inflow of gold to the country and apparently stopped the movement for some time.

TROOPS MAY PUT STOP TO TOBACCO WAR

Committee to Wait Upon Gov. Beckham and Ask Protection.

Owensboro, Ky., Oct. 31.—The tobacco war between the members and antimembers of the American Society of Equity, which has been threatening for several weeks, apparently has begun in earnest in Davis county, and it is feared that it will spread and be even more destructive than was the toll gate raid several years ago.

Yesterday the large barn of William Green was burned to the ground with all of its contents, entailing a loss of $25,000. Green has never been asked to join the American Society of Equity and he is at a loss to understand why the "army of peace" should burn his property, if it was the members of this body which accomplished his ruin.

Both sides in the war are planning to carry on the conflict indefinitely unless some action is taken by the governor to put a stop to the war. It is said that a committee of citizens will wait upon Governor Beckham and ask him to send the state militia into the county to prevent further depredations.

ACTOR HITCHCOCK HAS DISAPPEARED

Implicated by Three Little Girls on Serious Charge.

MAY YET USE GEORGIA STONE FOR BUILDING

Livingston Insists That Bid Permits It.

If plans set on foot Thursday morning by Congressman Log F. Livingston are carried to a successful termination, the new million-dollar postoffice in Atlanta will be constructed of Georgia material and the money spent for it will go to Georgia workmen.

And at present there is every indication that these plans will be successful.

After studying the matter thoroughly Thursday morning early, Congressman Livingston sent a telegram to J. Knox Taylor, supervising architect, asking why the building could not be constructed with an exterior of Georgia granite and an interior of Georgia marble, under the bid of the Charles W. McCaul Company, of Philadelphia. He expects an answer to this telegram Thursday afternoon and he is prepared to submit figures to show that such a plan can be carried out successfully.

The McCaul bid was $860,590 to con-

Continued on Page Two.

GOVERNORS MEET FRIDAY MORNING

Probable Now That Only Three Will Be Here.

FACSIMILE OF CLEARING HOUSE CERTIFICATE

Atlanta's banks have an average of $250,000.00 each to their credit in New York City alone—they keep that much there all the time. New York, though, is just now short of cash money because so much of it has been taken out of circulation temporarily.

Of all the money in the United States, which is over 3,000 million, more than 2,000 million is now being held by individuals. This makes it hard for us to get enough money until these people release it back into regular business channels.

Atlanta banks have plenty of money, but have issued two million dollars' worth of the above certificates to be used until they can get hold of the usual amount of cash.

There are over 30 million dollars represented in Atlanta's banks, and every cent of it is behind these certificates.

Every certificate is worth 100 cents on the dollar, and The Georgian warns the working people not to accept a cent less than their face value for them.

PANAMA CANAL TO BE WIDENED

Washington, D. C., Oct. 31.—The Panama canal will be widened ten feet, making 110 instead of 100 feet. This is the decision reached by officials of the navy department after a conference at the white house Tuesday, when the question was considered at length by President Roosevelt and his cabinet. The determination reached by the officials in charge

MERCHANTS AND BANKERS INDORSE NEW CERTIFICATES

George Muse—"The certificates are as good as gold. They will be accepted by merchants."

Frederick J. Paxon—"A wise, prudent move. The certificates are as good as government bonds."

E. R. DuBose—"Certificates are worth 100 cents on the dollar. I am pleased with the action taken."

John Morris—"It is a wise plan. I cannot conceive of a

BUSINESS MEN INDORSE BANK CERTIFICATES

Action of Clearing House Is Approved.

ARE ACCEPTED AT FULL FACE VALUE

Certificate Plan Heartily Approved by Atlanta's Merchants.

The action of the Atlanta Clearing House Association, which on Wednesday night decided to authorize the issuance of $2,000,000 in clearing house certificates, backed by ample securities and protected by bonded trustees, has met with the strongest indorsement from the leading merchants and business men of Atlanta, who will accept the certificates at their full face value as willingly as they would accept coin or currency.

The first of these certificates were issued Thursday morning and are being accepted as currency by all business houses. The merchants understand fully the reasons for the action of the Clearing House Association and know that the issuance of the certificates is merely a precaution to insure a safe and convenient circulating medium.

The banks began Thursday to observe that section of the Clearing House resolutions governing the withdrawal of deposits. No depositor was permitted to draw in cash more than $50 for the day, and will not be permitted to draw in cash more than $100 during the week. This does not mean, however, that all checks will not be honored, but

FIG. 2.—Elites' endorsement of small-denomination currency substitutes

Economic Inequality.—Greater economic inequality reduces intergroup trust within a community (Alesina and La Ferrara 2000). Individuals often develop distrust toward those in other economic classes because they believe members of different economic classes have conflicting economic interests and may act at the cost of other economic classes. Using data from both across countries and across states within the United States, Wilkinson and Pickett (2009) demonstrated that a high level of inequality is directly related to a lower percentage of people who trust others in their communities. In addition, a number of studies have also shown that economic inequality reduces social cohesion so that people living in unequal societies are less likely to contribute to a community's common goods (Goldin and Katz 1999; La Ferrara 2002; Costa and Kahn 2003).

Economic inequality was likely to have affected bankers' ability to issue small-denomination currency substitutes. A study of banking developments in the United States in the early 20th century shows that wealth (land) concentration was related to a lower level of credit being available in the community as elites restricted financial development in order to charge higher interest rates (Rajan and Ramcharan 2011). As a response, in a bank panic, individuals from communities with high levels of economic inequality showed less confidence in banks and they were more likely to rush to withdraw deposits (Greve and Kim 2014). Bankers faced the same set of challenges during the Panic of 1907. As an editorial in the *San Francisco Call* (1907*d*) sharply pointed out, the certificates offered no interest to the public and were merely promissory notes given by the banks in payment of their debts. The *Call* likened the practice to taking money out of one pocket and putting it in another. It warned the public that issuing currency substitutes ran the risk of inflation. Moreover, as others claimed, the currency substitutes were essentially free credit that a community would extend to banks to bail them out from an emergency that had resulted from their own bad practices, and doing so risked rendering the financial crisis more severe (e.g., Bryan 1907). Then community members' willingness to accept bankers' currency must be based on their trust that bankers would act on behalf of the community rather than only for themselves. Thus, a high level of economic inequality may have significantly reduced the chance of issuing currency substitutes if bankers expected a low level of community acceptance.

Hypothesis 2.—*Small-denomination currency substitutes were less likely to be issued in a community with a high level economic inequality.*

Community Homogeneity.—The need for meaning is one fundamental force that motivates and sustains collective actions (Benford and Snow 2000). When the meaning system resonates with their personal identity, it is more likely that social actors will be motivated to act on their vision of

what they desire. Actors' conceptions of themselves are powerfully shaped by their interactions with others, and structures that highlight the commonalities within a community help develop meaning systems and induce cooperation from community members. A common race or religion provides a direct linkage between personal identity and community; social groups that are formed in terms of these commonalities are thus more likely to engage in civic activities (Putnam 2000; Lindsay 2008).

Tilly (1973) argued that a community that consists of homogenous groups will generally be mobilized at a lower cost than a heterogeneous community. In a comprehensive review, Costa and Kahn (2003) showed that homogeneity enhances community members' engagement in producing public goods. Similarly, Rao, Yue, and Ingram (2010) reported that in the case of communities facing economic invasion from external big-box stores, those that were racially homogenous were more likely to become mobilized for collective action. In addition, community homogeneity affects not just the general level of participation in community collective action but also the role of elites in leading community affairs. Baltzell (1979) argued that individuals from homogenous communities are more likely to follow the leadership of elites than those from heterogeneous communities. Within a community, the level of homogeneity might affect the ease with which bankers mobilize support for their currency substitutes,[5] and therefore, a high level of community homogeneity may have significantly increased the chance of issuing currency substitutes.

HYPOTHESIS 3.—*Small-denomination currency substitutes were more likely to be issued in a community with a high level of homogeneity.*

Spatial Contagion.—Spatial contagion is of particular significance for community mobilization. Two processes drive the effect of spatial contagion. One is information transmission, here meaning that the issuances of currency substitutes were made known so that they could spread. Moreover, the legitimacy of currency substitutes increased as more and more communities adopted similar practices. The second process was the strengthening of intracommunity solidarity by intergroup rivalry, meaning that neighboring communities' adoption of such practices would intensify the cash war. A collective identity becomes more salient with the introduction of others with whom contrasts can be drawn, and in such a situation, members are more willing to contribute to in-group collective action (Sherif et al. 1961). In a study of communities' mobilization to promote the building of national

[5] An alternative proposition is that it may be more difficult for bankers to coopt a tightly integrated community when they are viewed as out-group members. But this proposition is unlikely to be true in the current research setting because, owing to the branch prohibition law, bankers in this era tended to be local people from their communities. Therefore the trust extended toward bankers may have been higher in relatively homogeneous communities.

parks, Ingram and Inman (1996) found that the community identity evoked by intercommunity rivalries is important in producing the perception of shared interests. Similarly, Kocak and Carroll (2008) found that the arrival of new immigrant groups with different religious backgrounds activates the identities of existing groups in a community and increases their church attendance.[6] Thus intercommunity rivalry might have intensified intracommunity cohesion.

Both processes were in play in facilitating the issuing of currency substitutes during the Panic of 1907. For example, bankers in Thomasville, Georgia, justified their issuances by arguing that neighboring cities had taken a similar step—"In Georgia, Atlanta, Savannah, Augusta, and Macon set the example, which was followed by Albany, Quitman, Valdosta, and other neighboring towns, a fact which in itself made this necessary here, to provide against the town being drained of its currency" (*Weekly Times Enterprise*, November 8, 1907, p. 1). C. E. Currier, the president of the Atlanta National Bank, argued, "The issuance of these certificates is a matter of protection. New York and other cities decided temporarily not to let us have any cash. Then, to protect what cash we have, we also issue certificates" (*Atlanta Georgian*, October 31, 1907, p. 2). Similarly, when bankers in Pittsburg requested the cooperation of employers and workmen, they argued that "it (the issuance) is made necessary by the fact that clearing house associations of other cities, especially New York have prevented the return of currency from these points to Pittsburg and the idea of Pittsburg bankers is to protect Pittsburg manufacturers and workingmen against this phony of other cities" (*Pittsburg Press*, 1907). Bankers urged the people to "help themselves and help the communities in which they live by becoming the backers of the banks for the present" (*Bend Bulletin*, November 15, 1907, p. 2). If neighboring communities have issued currency substitutes, bankers of a focal community may be more likely to persuade members of their community that the issuance is necessary to keep money at home. Thus, I predict that neighboring communities' issuances significantly increased the chance of issuing currency substitutes in a local community.

HYPOTHESIS 4.—*Small-denomination currency substitutes were more likely to be issued in a community if neighboring communities had issued them.*

Alignment with Community Ideology.—The structure of political ideologies affects the likelihood of successful collective action (McAdam 1982). In favorable environments, bankers' claims may be perceived as being

[6] Kocak and Carroll's (2008) finding does not conflict with hypothesis 3 because the units of analysis are at different levels. At the intragroup level, homogeneity increases cohesion, but at the intergroup level, the presence of outside groups with which one can draw a contrast also increases intragroup cohesion.

more legitimate. Bankers were likely to have more success in articulating and implementing their proposed programs in a context of supportive constituencies. One of the most influential political ideologies at the turn of the 20th century was populism. At first glance, populism might have worked to undermine the scheme of bankers' money given its antielitist appeal and hostility toward banks (as indicated by William Jennings Bryan's statement). However, a core aim of populism was to expand the money supply.

While earlier scholars portrayed the populist movement as involving backward-looking protests by farmers refusing modernity (e.g., Hicks 1931; Hofstadter 1955), since the publication of Lawrence Goodwyn's (1976) *Democratic Promise*, recent scholars have more and more viewed the populist movement as an attempt on the part of economically hard-pressed farmers to seek redress from the government of their grievances (e.g., Ritter 1997; Nugent 2013). Populism arose in order to contest the policy of money supply contraction that was implemented to return to the gold standard. Contraction caused a deflation in prices and an increase in interest rates, which hurt farmers especially hard. In the mid-1870s, farmers formed the Greenback Party to oppose the contraction policy favored by the Eastern banking elites.[7] For the Greenbackers, a flexible monetary system provided a solution to the economic problems of the National Banking era: an expanding monetary system and low interest rates would raise prices and make debts easier to pay, consequently bringing commercial liquidity and prosperity. They used Edward Kellogg's legal tender theory to argue that money did not have to possess intrinsic value but was the legal creation of a society. Moreover, because interest rates affected the distribution of wealth between classes and regions, the government should control money supply in order to prevent special interest groups from bending policies to their own interests. Thus, the Greenbackers favored monetary expansion, but they looked for this to the government rather than to monopolistic private banks.

The Greenbacker movement began to wane after the Eastern banking elites won the political debate and restored the gold standard in 1879. However, soon thereafter the Greenback Party's basic program was reborn as that of the People's Party, also known as the populists. The People's Party continued to push the government to pursue an inflationary monetary policy, arguing that silver should be freely coined and placed into circulation. Although the populist movement is typically thought to have ended after the 1896 presidential contest in which William McKinley (representing the defenders of the gold standard) defeated William Jennings Bryan (supporting greenbackism and bimetallism), populism remained an influential political ideology in the early 1900s (Ritter 1997).

[7] The Greenback Party was founded as an agrarian organization. In 1878, it formed an alliance with urban labor and changed its name to the Greenback Labor Party.

The issuing of small-denomination currency substitutes was appealing to populists because it expanded the money supply locally. Bankers strategically deployed the alignment of their scheme with agricultural interests. They argued that using homegrown currencies helped to stimulate their local economies and protect themselves from the nation's broader economic woes. They highlighted the function of these currency substitutes in enabling the movement of crops without delay, maintaining the price of the staple, and meeting the demands of local businesses (*Tifton Gazette*, November 8, 1907). They also capitalized on the conflict between the agrarian populists and the Eastern banking elites. They portrayed themselves as victims of the financial sins of New York and depicted the currency substitutes as representing a way to save their communities from being victimized by the Eastern interests (*San Francisco Call*, 1907*a*). Therefore, bankers might be more likely to mobilize support for the small-denomination currency substitutes in communities in which the populist ideology prevailed.

HYPOTHESIS 5.—*Small-denomination currency substitutes were more likely to be issued in a community in which the populist ideology prevailed.*

DATA AND METHODS

I collected data on the date that a city first issued currency substitutes during the Panic of 1907 from Andrew (1908) and the report of the *Commercial and Financial Chronicle* published on May 30, 1908. Andrew surveyed all 147 independent cities with a population above 25,000 and received responses from 145 of them.[8] He also reported the issuances of currency substitutes in some cities with a population below 25,000, but those data were incomplete. The *Chronicle* reported the New York Clearing House Association's survey of 106 clearinghouses in the United States regarding their issuing of loan certificates and received responses from all but nine. The cities covered by these two surveys largely overlapped, and only six cities reported by the *Chronicle* were not covered by Andrew (1908). So I used the 145 independent cities with a population larger than 25,000 reported by Andrew (1908) as the sample for this study. Figure 3 shows the geographical distribution of the 145 cities and of 50 of them where small-denomination currency substitutes were issued.

Dependent Variable and Estimation

The dependent variable is the hazard on a given day that a city first issued small-denomination currency substitutes. Two major forms of the currency

[8] According to the census of 1900, there were 160 cities with a population above 25,000. Andrew (1908) excluded 13 cities that were suburbs or parts of larger neighboring cities. Two cities that did not respond were Pueblo, Colorado, and Lawrence, Massachusetts.

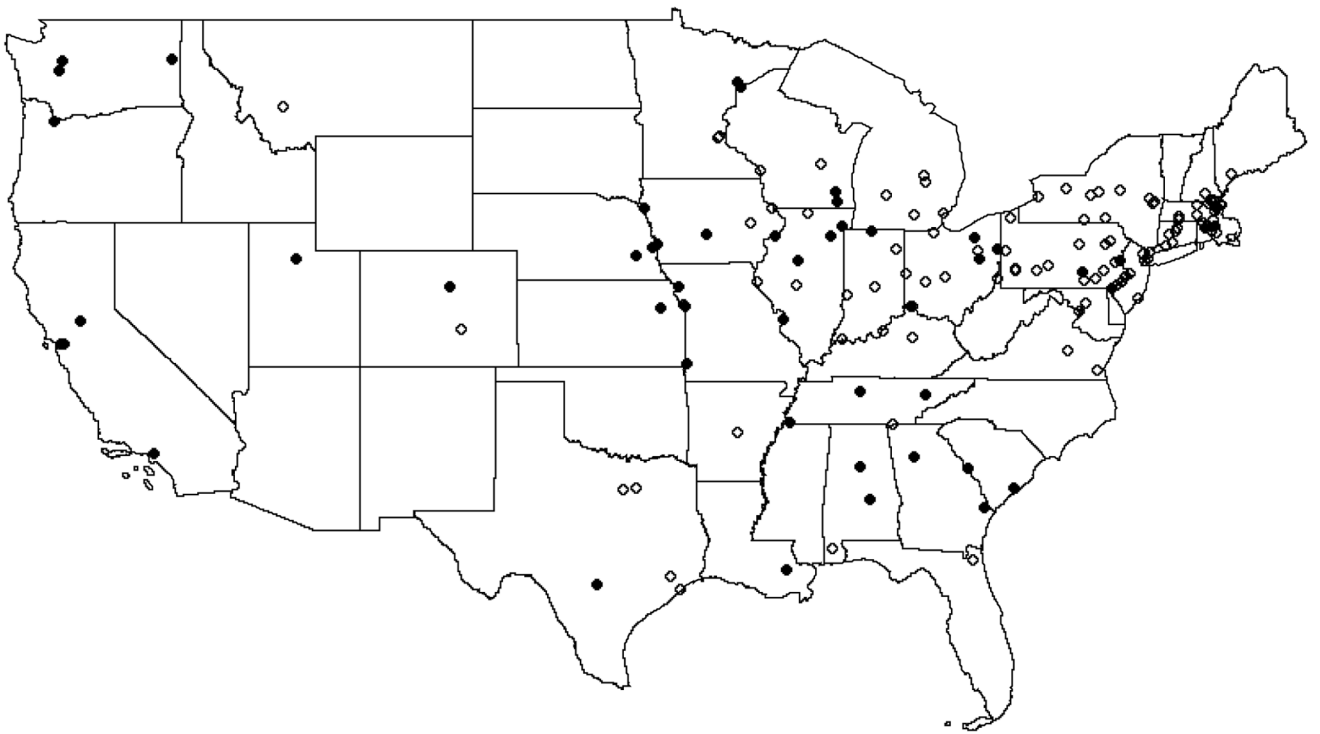


FIG. 3.—Issuances of small-denomination currency substitutes in 145 cities (black dots).

substitutes were clearinghouse loan certificates in small denominations for general circulation and cashier's checks in convenient dominations payable only through the clearinghouse. In addition, in four cities the currency substitutes also appeared as clearinghouse checks in convenient denominations for general circulation. But paychecks in convenient denominations payable to the bearer are not counted as currency substitutes issued by bankers because they were typically issued by large industrial firms to their employees. There are only three cities that uniquely adopted paychecks in convenient denominations, and counting paychecks as currency substitutes does not affect the results of this article. The observation period ranges from October 26, 1907, when the New York Clearing House suspended cash payments, to December 31, 1907, the day before cash payments were resumed. Cities that did not issue small-denomination cash substitutes were treated as right-censored.

I estimate the hazard for a city in issuing small-denomination currency substitutes using the Cox proportional hazard model (Cox 1972; Cox and Oakes 1984). The Cox model offers two significant advantages for estimating hazard rates. One is that this model allows covariates to be time dependent. This renders it useful for incorporating time-varying variables such as neighboring cities' adoptions. Second, it is a semiparametric model that does not assume any particular distributional form for the baseline hazard rate. This feature is useful considering that little is known about the underlying distributional form, and there is no reason to believe that the hazard rate follows a particular type of distribution. In particular, the Cox model takes the form

$$h_i(t) = h_o(t)e^{\beta X},$$

where $h_i(t)$ is the instantaneous risk of hazard for city i at time t. The unspecified baseline hazard is $h_o(t)$, and $e^{\beta X}$ describes how the baseline hazard varies in response to explanatory variables. In addition, I also adopted parameterized methods such as the exponential hazard model to estimate the hazard of a city in issuing small-denomination currency substitutes and found that the results are similar. These results are available upon request.

Independent and Control Variables

I measure *elite cohesion* using the density of interlock networks of all banks in a city.[9] Interlock ties exist when one bank's directors or executives sit on

[9] Trust companies were an innovative form of financial institutions that functioned like banks in this era (Neal 1971). They were counted as state-chartered banking institutions and included in the sample.

the boards of other banks.[10] It is worthwhile to note that local economic elites include nonbankers. But the operationalization of elite cohesion on the basis of interlocks among banks is appropriate because banks are hubs of a local economy and therefore their boards typically include not only bankers but also other kinds of local economic elites (Useem 1984; Davis and Mizruchi 1999). Previous studies have shown that bank boards provide an institution that knits together local economic elites (Bunting 1983; Roy 1983, 1997). I collected data on executives and directors for all of the 2,145 banks in the 145 cities from the 1906 issue of *Moody's Manual of Railroads and Corporation Securities* and the January 1907 issue of the *Rand-McNally Bankers' Directory*. The interlock network density is the ratio of the number of existent interlock ties between any pair of banks in a city to the total number of possible ties between them, that is, the sum of existing ties/$[n \times (n - 1)/2]$, where n denotes the number of banks in a city.

I measure *economic inequality* using the Gini coefficient of farm size for the county where a city was located. Because income data were not available until 1916 and at the time land holding was the most important form of wealth, researchers studying this era have adopted this variable to measure economic inequality in communities (e.g., Rajan and Ramcharan 2011; Greve and Kim 2014).[11] I collected data on the categorization of farms from the 1900 census (0–9 acres, 10–19 acres, 20–49 acres, 50–99 acres, 100–499 acres, 500–999 acres, and 1,000 acres and above). The Gini coefficient with an adjustment for categorical source data takes the formula

$$G = (2\mu)^{-1} \sum_{i=1}^{C} \sum_{j \neq i} p_i p_j |\mu_i - \mu_j|,$$

where μ_i is the category center point, μ is the population mean, and p_i is the proportion of farms in each category. The Gini coefficient measures the average gain for an individual in moving out of her place. It takes a value from 0 to 1, with the higher value indicating a greater level of inequality.

I measure *community homogeneity* using two variables. One is the *racial homogeneity* measured by a Herfindahl index for each place i:

$$\sum_i \left(\frac{population_{ij}}{population_i} \right)^2,$$

where j represents either of the following seven race groups: native white with native parents, native white with foreign parents, foreign white,

[10] Interlocks between direct competitors were only outlawed in 1914 by the Clayton Act, and so bank-to-bank interlocks were legal during this time period.

[11] An alternative measure of inequality uses the size of manufacturing plants, but this variable is not available in the census of 1900 or the census of manufactures of 1905.

African-American, Chinese, Japanese, and American Indian. The data on racial homogeneity were collected from the census of 1900. Although this racial classification contains elements of nationality and does not match today's criteria, I did not modify the original categories because they reflected salient divisions at the time. In unreported analysis, I used an alternative measure by treating as one category white, native white with native parents, native white with foreign parents, and foreign white and obtained results similar to those reported below. The second variable is *religious homogeneity*. Religious homogeneity is similarly measured by the Herfindahl index for those belonging to Protestant, Catholic, Jewish, and other religious groups in a city. The data on religious homogeneity were obtained from Kocak and Carroll (2007).

I measure *neighboring communities' issuances* by calculating the *geographical distance weighted number of cities that adopted small-denomination currency substitutes* by time t. The formula is

$$\sum_{j} \sum_{t>\tau} \frac{S_{j\tau}}{D_{ij}},$$

where t is the time for city i, $S_{j\tau}$ is a dummy variable that equals 1 if small-denomination currency substitutes were issued in city j at time τ, and D_{ij} is the log-transformed distance between i and j.

I measure the *populist ideology* in a community by using the share of votes supporting the populist candidate in the 1904 presidential election. The election result at the city level was unavailable, and so I used the county-level data provided by the Interuniversity Consortium for Political and Social Research and matched each city to the county in which it is located by using the January 1907 issue of the *Rand-McNally Bankers' Directory.*

I include a list of control variables. First, I controlled for variables concerning community basic characteristics. I controlled for the ln-transformed *population size* of each city. Because there was no gross domestic product data at that time, I included the variable *manufacturing output value per capita* to control for the economic conditions in each community. I also controlled for the *illiteracy rate* in each city because the illiteracy rate may affect the spread of information. These data were collected from the census of 1900. Second, I controlled for two variables related to the basic banking conditions in a community. One is the *number of banks in a community*, because previous scholars have debated the relationship between group size and the incidence of collective action (e.g., Olson 1965; Oliver and Marwell 1988). The other is the *abundance of banking capital* in a community, which is measured by the average ratio of capital and surplus to total deposits for all of the banks in a city. Communities that had abundant capital might have had less need to issue currency substitutes.

Third, I controlled for three additional variables relating to the organization of bankers to control for alternative channels that might facilitate bankers' mobilization. One is a dummy variable that is used to indicate whether there was a local banking clearinghouse in a community. The other two indicate the proportions of banks in a community that were members of the State Bankers' Association and the National Bankers' Association. These data were collected from the January 1907 issue of the *Rand-McNally Bankers' Directory*.

Fourth, I controlled for two variables related to a community's exposure to the Panic of 1907. One is direct *panic exposure*, which is measured by the number of corresponding ties that banks in a city had with trust companies in New York City that suffered runs. Correspondent banking networks were interbank clearing, and settlement networks developed in response to the Unit Banking Law, which prohibited interregional branching during this period. James et al. (2013) reported that correspondent networks were a direct channel for transmitting financial pressures during the Panic of 1907. Following Frydman, Hilt, and Zhou (2013), I identified affected trust companies as those falling within the top 25th percentile of negative deposit changes. The other variable is a city's *geographical distance to New York City*. I included this variable because figure 3 shows that most cities that issued currency substitutes were located in the Midwest, the West, and the South.

Fifth, I controlled for three variables related to the intercity banking networks because banking practices might have been diffused through these networks. *Intercity interlock influence* is a variable that measures the number of cities that had adopted the small-denomination currency substitutes by time t and with which banks in a focal city had interlock ties. Similarly, *intercity correspondence influence* is a variable that measures the number of cities that had adopted the small-denomination currency substitutes by time t and with which banks in a focal city had correspondent ties. Besides these two measures of direct influence, I also include the *eigenvector centrality* of a focal city in the intercity correspondent networks to control for the indirect influence flowing through the correspondent networks.

Sixth, I controlled for a city's status in issuing clearinghouse loan certificates. Clearinghouse loan certificates and small-denomination currency substitutes were not exclusive of each other; instead, cities could issue either, both, or neither. The bankers' decision to issue small-denomination currency substitutes may be related to the status of the cities issuing clearinghouse loan certificates. Controlling for a city's status in issuing clearinghouse loan certificates helps to take into account this effect. Finally, I included a dummy variable to indicate a city's location in the state of Georgia in order to control for the effect of historical legacy on the issuance of small-denomination currency substitutes during the Panic of 1893. Table 1 reports the descriptive statistics for all the above variables.

TABLE 1
DESCRIPTIVE STATISTICS AND CORRELATIONS

Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
1. SDC substitutes issue	.01	.08																					
2. Population (ln 1,000)	4.12	.88	.01																				
3. Manuf. output per capita (1,000)	.36	.20	−.03	−.02																			
4. Illiteracy rate	.06	.04	.00	−.07	.05																		
5. Bank count	14.36	19.78	.01	.81	−.00	−.01																	
6. Capital abundance	.22	.12	.00	−.16	−.05	.11	−.05																
7. Clearinghouse	.63	.48	.03	.35	−.32	.04	.27	.00															
8. % state banker association	.73	.22	.00	.01	−.20	−.25	−.01	.14	.21														
9. % national banker association	.69	.19	.00	.09	−.02	.07	.06	.00	.12	.42													
10. Distance to New York City	4.21	4.16	.10	−.12	−.24	−.10	−.08	−.06	.28	.26	−.04												
11. Panic exposure	.51	1.02	−.01	.56	.07	−.14	.62	−.14	.15	.02	.05	−.12											
12. Clearinghouse loan certificates	.16	.37	.00	.51	−.10	−.09	.50	−.03	.34	.12	.01	.17	.38										
13. Georgia	.00	.06	.07	−.01	−.06	.17	−.01	.05	.05	.02	.00	.03	−.03	−.02									
14. Interlock density	.11	.10	.05	.00	−.01	.10	−.08	.02	.11	−.07	.00	−.07	−.09	.00	.10								
15. Economic inequality	.75	.13	−.04	.41	.16	.18	.33	.12	−.11	−.24	−.02	−.58	.17	.13	−.01	.05							
16. Racial homogeneity	.60	.10	−.01	−.18	.01	−.63	−.16	.21	−.12	.15	−.22	−.08	−.01	−.07	−.09	.00	−.12						
17. Religious homogeneity	.57	.07	.03	−.17	.01	.45	−.06	.06	−.01	−.37	−.11	−.08	−.21	−.15	.09	.07	.14	−.26					
18. Neighbor adoption	6.01	2.72	−.08	−.01	.04	−.04	−.01	.02	−.05	.03	−.02	−.14	.01	.15	−.12	−.10	.05	.06	−.05				
19. Populist ideology (%)	.21	1.15	.04	−.03	−.09	.18	.01	−.04	.07	−.01	−.05	.06	−.04	−.03	.63	.14	.02	−.12	.15	−.07			
20. Intercity interlock influence	1.62	2.73	−.01	.62	.05	−.07	.78	−.04	.16	.04	.00	−.02	.42	.48	−.02	−.11	.27	−.11	−.08	.25	.02		
21. Intercity corresp. influence	1.57	1.47	.05	.40	−.16	−.07	.52	−.06	.42	.26	.06	.49	.26	.57	−.01	−.13	−.18	−.07	−.15	.21	.04	.56	
22. Corresp. network centrality	.04	.08	.00	.78	.00	−.04	.90	−.05	.25	.01	.09	−.10	.58	.47	−.01	−.08	.32	−.14	−.06	−.01	.01	.78	.50

NOTE.—N = 7,072. SDC = small-denomination currency.

RESULTS

Table 2 presents the Cox hazard models for the issuances of small-denomination currency substitutes in the 145 cities. Model 1 reports the baseline model, where I included all the control variables. It shows that cities with a large population and at a long distance from New York City were more likely to issue currency substitutes. Cities located in Georgia were also more likely to issue currency substitutes. Model 2 tests the effect of elite cohesion and shows that the density of banking interlock networks is positively related to the hazard for bankers in issuing currency substitutes in a city ($b = 1.632$; $P < 0.05$). A 1-SD increase in the interlock network density raises the hazard ratio of issuing by 17.7%. Thus, hypothesis 1 is supported. Model 3 tests the effect of economic inequality and shows that, although the direction of the coefficient is as predicted, this variable is insignificant by itself ($b = -2.080$, not significant). So hypothesis 2 is not supported when tested alone. Model 4 tests the effect of community homogeneity and shows that religious homogeneity significantly increases a city's hazard of issuing small-denomination currency substitutes ($b = 5.816$; $P < 0.01$), while racial homogeneity does not increase it ($b = 3.077$, not significant). According to this model, a 1-SD increase in the religious homogeneity raises the hazard ratio of issuing by 50% in a community. Thus, hypothesis 3 receives partial support.

Model 5 tests the effect of neighboring communities' issuances, and the results show that bankers were more likely to issue currency substitutes when more neighboring communities had done so ($b = 0.356$; $P < 0.01$). A 1-SD increase in the number of neighbors' issuances increases a focal place's chance of issuing by roughly two and half folds. So neighboring towns' adoptions have a strong impact on a local community's decision to adopt, and hypothesis 4 is supported. Model 6 tests the effect of the populist ideology. The results show that the coefficient of the variable is not statistically significant. Thus the populist ideology did not work particularly well in favor of issuing bankers' currency, and its antielitism and anti-banking spirits might have counteracted its support for monetary inflation. Hypothesis 5 is not supported. Finally, model 7 tests the full model. The negative coefficient of economic inequality becomes significant in the full model ($b = -3.665$; $P < 0.05$), suggesting that bankers were less likely to issue currency substitutes when their coordination was inhibited by a low level of trust within a community after controlling for other community conditions. According to the full model, a 1-SD increase in the economic inequality reduces the hazard ratio of issuing small-denomination currency substitutes by 38%. In addition, the significant effects of religious homogeneity and neighbors' adoptions remain robust. But the effect of elite cohesion becomes less significant in the full model ($b = 1.613$; $P = 0.076$).

Because the Panic of 1907 originated in New York City, interior bankers deployed a rhetoric of self-defense against the misconduct of New York City bankers in order to motivate currency issuing in their own communities. Therefore, interior bankers' mind-set regarding currency issuances might have been different from that of their counterparts in New York City. Thus, I further test the robustness of my findings by dropping New York City from the sample. Table 3 reports the estimation results and confirms the robustness of the findings. In addition, the positive main effect of religious homogeneity stands in contrast with the insignificant effects of racial homogeneity. The different results regarding the two measures of community homogeneity show that race and religious activities may work differently in maintaining community cohesion. Racial homogeneity affects community cohesion through individuals' self-identification, while religious activities involve people who actively participate by congregating at regular intervals. Hence, religion has been found to provide unique resources that are advantageous for developing meaning systems and community (Lindsay 2008), and religious homogeneity has a strong influence on associational patterns (Putnam 2000). Such patterns may have worked to link organizational structures and community collective identity (Greve, Pozner, and Rao 2006; Lindsay 2008; Schneiberg, King, and Smith 2008; Greve and Kim 2014).

Further Analysis of Issuing Amount

If the lack of community support prohibited bankers from organizing collective action, it is useful to test whether the actual issuing amount was related to community structures. In addition, investigating the issuing amount helps to assess the success of elites' collective action. I predict that interlock density had a positive effect on the amount of issuance as a high level of elite cohesion increases the efficacy of elite mobilization. Economic inequality reduces intracommunity cohesion and thus may lead to a lower of amount of issuance. Racial and religious homogeneities increase intracommunity trust and thus may lead to a higher amount of issuance. The populist ideology provided a favorable political environment and thus may have resulted in a higher amount of issuance.

From Andrew (1908), I determined the total amount of issuance in 38 out of the 50 cities where the small-denomination currency substitutes were issued.[12] I created a variable, the issuing amount per capita, through dividing

[12] Andrew (1908) noted "Amount not obtainable" for 12 cities. The data reported by the *Commercial and Financial Chronicle* are not usable because it reported only the aggregate amount for both the clearinghouse loan certificates and the small-denomination currency substitutes.

TABLE 2
Cox Hazard Model of the Issuances of Small-Denomination Currency Substitutes

	Model						
	1	2	3	4	5	6	7
Population	.795*	.805*	.942**	1.080***	.494	.857**	1.183**
	(.313)	(.315)	(.329)	(.327)	(.320)	(.316)	(.389)
Manuf. output per capita	.053	.213	.694	−.040	.044	−.169	1.128
	(.786)	(.770)	(.890)	(.825)	(.813)	(.815)	(.948)
Illiteracy rate	−1.166	−1.783	.930	.446	−1.262	−.589	.961
	(3.845)	(3.806)	(4.049)	(5.014)	(3.795)	(3.704)	(5.846)
Capital abundance	1.195	1.304	.907	1.124	1.144	1.253	.870
	(.774)	(.776)	(.785)	(.879)	(.821)	(.785)	(.910)
Bank count	−.084	−.082	−.073	−.105*	−.061	−.083	−.056
	(.048)	(.050)	(.049)	(.047)	(.048)	(.048)	(.050)
Clearinghouse	.160	.124	.224	.210	.516	.162	.539
	(.408)	(.406)	(.411)	(.393)	(.449)	(.404)	(.429)
% state banker association	−1.410	−1.268	−1.386	−.973	−2.142**	−1.425	−1.262
	(.801)	(.766)	(.802)	(.847)	(.813)	(.785)	(.856)
% national banker association	.211	−.016	.244	.253	.965	.271	.781
	(.914)	(.913)	(.900)	(.910)	(.974)	(.914)	(.969)
Panic exposure	−.128	−.116	−.196	−.026	−.133	−.095	−.125
	(.240)	(.240)	(.250)	(.239)	(.248)	(.235)	(.261)
Distance to New York City	.144***	.133***	.141***	.165***	.150***	.137***	.151***
	(.031)	(.031)	(.033)	(.035)	(.032)	(.032)	(.040)
Clearinghouse loan certificates	−.869	−.856	−.818	−.801	−.631	−1.029	−.550
	(.558)	(.558)	(.562)	(.557)	(.552)	(.567)	(.566)

Georgia	2.540**	2.374**	2.501**	1.986**	2.675***	2.436**	2.204*
	(.772)	(.803)	(.779)	(.766)	(.782)	(.889)	(.934)
Intercity interlock influence	.030	.023	.040	.072	−.007	.015	.047
	(.116)	(.116)	(.117)	(.115)	(.116)	(.117)	(.115)
Intercity corresp. influence	.170	.242	.105	.205	.126	.229	.147
	(.159)	(.161)	(.164)	(.165)	(.162)	(.164)	(.195)
Corresp. network centrality	15.591	14.973	13.210	17.071	13.218	14.794	7.836
	(10.536)	(10.906)	(10.680)	(10.118)	(10.189)	(10.533)	(10.605)
Interlock density		1.632*					1.613
		(.800)					(.908)
Economic inequality			−2.080				−3.665*
			(1.259)				(1.473)
Racial homogeneity				3.077			2.131
				(2.283)			(2.910)
Religious homogeneity				5.816**			7.439***
				(1.796)			(1.972)
Neighbor adoption					.356***		.393***
					(.103)		(.117)
Populist ideology						−.001	−.019
						(.052)	(.058)
N	7,276	7,276	7,276	7,276	7,276	7,072	7,072
χ^2	53.988	57.850	56.656	64.341	60.452	55.329	79.312

NOTE.—Numbers in parentheses are SEs. The sample size in models 6–7 drops because of missing values in the 1904 presidential election results.

* $P < .05$, two-sided.

** $P < .01$.

*** $P < .001$.

TABLE 3

Cox Hazard Model of the Issuances of Small-Denomination Currency Substitutes: Drop New York City

	Model						
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Population	.661*	.659*	.812*	.927**	.371	.731*	1.040**
	(.324)	(.322)	(.341)	(.335)	(.333)	(.327)	(.398)
Manuf. output per capita	.009	.175	.616	−.050	−.005	−.206	1.083
	(.788)	(.771)	(.891)	(.827)	(.815)	(.817)	(.952)
Illiteracy rate	−.942	−1.677	1.061	.486	−1.086	−.403	.276
	(3.827)	(3.786)	(4.033)	(5.015)	(3.773)	(3.690)	(5.832)
Capital abundance	1.182	1.294	.899	1.107	1.115	1.242	.870
	(.791)	(.796)	(.801)	(.914)	(.840)	(.802)	(.943)
Bank count	−.082	−.081	−.071	−.103*	−.057	−.082	−.051
	(.047)	(.048)	(.048)	(.046)	(.048)	(.047)	(.050)
Clearinghouse	.145	.111	.206	.183	.489	.146	.480
	(.409)	(.407)	(.412)	(.394)	(.448)	(.405)	(.429)
% state banker association	−1.414	−1.275	−1.389	−.956	−2.137**	−1.432	−1.216
	(.799)	(.760)	(.799)	(.845)	(.813)	(.783)	(.846)
% national banker association	.324	.097	.334	.401	1.059	.386	.865
	(.922)	(.921)	(.908)	(.922)	(.983)	(.923)	(.980)
Panic exposure	−.169	−.172	−.233	−.061	−.169	−.140	−.174
	(.238)	(.238)	(.248)	(.237)	(.245)	(.235)	(.256)
Distance to New York City	.140***	.127***	.136***	.161***	.146***	.133***	.140***
	(.032)	(.032)	(.033)	(.035)	(.032)	(.032)	(.040)
Clearinghouse loan certificates	−.996	−1.014	−.937	−.954	−.736	−1.152	−.715
	(.588)	(.593)	(.590)	(.588)	(.576)	(.595)	(.594)

Georgia	2.472**	2.289**	2.434**	1.907*	2.620***	2.355**	2.138*
	(.773)	(.804)	(.779)	(.768)	(.783)	(.891)	(.940)
Intercity interlock influence	.100	.104	.105	.164	.056	.083	.146
	(.134)	(.134)	(.134)	(.133)	(.135)	(.134)	(.136)
Intercity corresp. influence	.158	.232	.095	.190	.118	.217	.146
	(.160)	(.160)	(.165)	(.166)	(.162)	(.164)	(.196)
Corresp. network centrality	18.718	18.883	16.141	20.752*	15.440	17.957	10.685
	(10.048)	(10.261)	(10.271)	(9.584)	(9.844)	(10.048)	(10.184)
Interlock density		1.762*					1.873*
		(.803)					(.911)
Economic inequality			−2.035				−1.855*
			(1.274)				(.892)
Racial homogeneity				3.015			2.765
				(2.274)			(1.994)
Religious homogeneity				6.029***			3.715*
				(1.791)			(1.508)
Neighbor adoption					.339**		.340**
					(.106)		(.120)
Populist ideology						.001	−.021
						(.052)	(.057)
N	7,208	7,208	7,208	7,208	7,208	7,004	7,004
χ^2	55.180	59.615	57.680	66.214	61.346	56.509	81.539

NOTE.—Numbers in parentheses are SEs. The sample size in models 13–14 drops because of missing values in the 1904 presidential election results.

* $P < .05$, two-sided.

** $P < .01$.

*** $P < .001$.

the total issuing amount by a city's population size. Because the total issuing amount can only be observed where the small-denomination currency substitutes were issued and there was an additional sample selection bias due to missing values, I adopted the Heckman two-stage model to estimate the issuing amount per capita. In the first stage, I ran a probit model to control for the selection bias that is based on a nonrandomly selected sample. The dependent variable of the first-stage model is a dummy variable that equals 1 if small-denomination currency substitutes were issued in a city and the total amount was not missing. The independent variables include all the variables that are significant in the full model estimation of the issuance of small-denomination currency substitutes (i.e., model 7 of table 2). In the second stage, I ran an ordinary least squares model after controlling for the predicted probability of issuance for each city. I also include all the independent and control variables used in table 2, except the three time-varying variables—neighbor adoption, intercity interlock influence, and intercity correspondent influence—because the analysis of the issuing amount per capita is cross-sectional.

Table 4 reports the Heckman model estimation of the issuing amount per capita. I omitted the first-stage results to save space. Model 15 reports the baseline estimation, including all the control variables. It shows that the per capita issuing amount was higher in places where bankers were organized through a clearinghouse. But the per capita issuing amount was lower in large cities and in cities where capital was relatively abundant. Model 16 tests the effect of elite's cohesion, which has a positive, but insignificant, coefficient. Model 17 tests the effect of economic inequality, showing that the issuing amount per capita was significantly lower in places where the economic inequality was high ($b = -26.275$; $P < .01$). When other variables are set at their means, a 1-SD increase in economic inequality reduced the issuing amount per capita by \$4.52. Model 18 tests the effect of community homogeneity. Although both coefficients have directions as predicted, none of them reach statistical significance. The results suggest that although a common identity may have boosted bankers' confidence in organizing collection, it did not materialize at a high level of community support. Model 19 tests the effect of the populist ideology and shows an insignificant effect. In unreported analysis, I also tested the interaction effect between the populist ideology and the elite cohesion and found that the main effect of the populist ideology turns positively significant, while its interaction effect with the elite cohesion is negatively significant. When all other variables are set to their means, a 1% increase in support of populist candidates in a place increased the issuing amount per capita by \$4.77. But in places where elites were more cohesive (i.e., interlock density was 1 SD above the mean), a 1% increase in support of populist candidates increased the issuing amount per capita by only \$2.60. The results indicate that the

populist ideology was associated with a significantly higher amount of issuance only in places where the elite cohesion was relatively low. Populists wary of elites' monopoly might have reduced their willingness to support bankers' currencies. Finally, model 20 reports the full model estimation, showing that the negative effect of economic inequality remains robust.

DISCUSSION AND CONCLUSION

Organizing collective action to secure community support provides elites with an additional source of power, but community structures constrain elites' ability to utilize this power. Elites are motivated to organize collective action and to mobilize the public to support their action when the power structure is dynamic and institutional stability needs to be maintained. When doing so, elites act just like other movement activists, attempting to mobilize potential adherents to support institutional programs that serve their interests. To make their mobilization efforts successful, elites need to be united in the first place, and a high level of cohesion increases their capacity to organize collective action. Yet community structures also affect the success of elites' mobilization because the level of community support may directly determine the utilities that elites obtain from their collective action. Economic inequality affects the efficacy of elites' mobilization because the public is more likely to participate in elites' programs in places where the intracommunity trust is high. Religious homogeneity has a special significance for elites as religious activities supply meaning systems and organizational infrastructures for collective action. Spatial contagion facilitates elites' mobilization efforts because it spreads information and facilitates intercommunity competition. Together, these findings make broad contributions to power elite theory, the social-movement literature, and sociological studies of money.

First, this article contributes to power elite theory by showing that building private institutions and mobilizing community support are important ways for elites to protect their interests. While the power elite literature has focused on examining how elites influence formal institutions such as government decisions and public policies, my findings suggest that propagating private market institutions is another way in which elites advance their interests. The function of private market institutions has received relatively little scholarly attention, and even the emerging body of work on elites' adoption of grassroots tactics has tended to document how elite actors utilize the public as a force for amplifying their voices in formal politics. Yet private market institutions also play important roles in maintaining market order and in distributing valuable resources, and, as Schneiberg and Bartley (2008) argued, a significant change of industrial regulation in the 21st century consists in the emergence of many alternative forms of "soft

TABLE 4
Heckman Model of the Amount of Currency Substitutes Per Capita

	Model					
	(15)	(16)	(17)	(18)	(19)	(20)
Population	−7.832*	−6.549*	−6.143*	−7.109*	−8.150**	−2.915
	(3.050)	(3.113)	(2.829)	(3.302)	(3.124)	(3.356)
Manuf. output per capita	3.110	1.108	−.524	3.177	3.545	−4.038
	(7.143)	(7.244)	(6.658)	(7.209)	(7.136)	(6.423)
Illiteracy rate	44.680	45.025	38.385	67.351	47.977	65.869
	(27.600)	(27.340)	(25.382)	(49.047)	(28.194)	(43.261)
Capital abundance	−16.476**	−17.611**	−14.338**	−16.405**	−16.116**	−15.411**
	(5.671)	(5.518)	(5.170)	(5.681)	(5.750)	(5.172)
Bank count	.456	.535	.628*	.398	.439	.632
	(.330)	(.321)	(.304)	(.395)	(.335)	(.361)
Clearinghouse	10.925**	8.486*	13.429***	10.927**	11.017**	9.637*
	(3.777)	(4.171)	(3.539)	(3.754)	(3.771)	(3.756)
% state banker association	11.954	13.023	10.768	11.232	12.952	12.561
	(9.178)	(8.835)	(8.287)	(9.280)	(9.462)	(8.958)
% national banker association	11.642	11.165	13.503*	11.835	11.062	12.184
	(6.820)	(6.696)	(6.245)	(7.184)	(6.899)	(6.348)
Distance to New York City	.421	.531	.068	.654	.399	.639
	(.397)	(.388)	(.380)	(.707)	(.404)	(.706)
Panic exposure	1.811	1.537	1.237	1.969	2.003	1.263
	(1.870)	(1.838)	(1.714)	(2.037)	(1.907)	(1.816)
Clearinghouse loan certificates	3.653	3.098	2.066	3.801	3.686	1.565
	(2.608)	(2.580)	(2.437)	(2.845)	(2.605)	(2.538)

Georgia	−2.439	−3.034	−4.111	−2.137	−.907	−3.939
	(5.193)	(5.150)	(4.783)	(5.277)	(5.996)	(5.326)
Corresp. network centrality	−13.360	−29.176	−73.258	−1.750	−8.184	−76.152
	(72.355)	(70.872)	(69.140)	(82.271)	(73.375)	(77.412)
Interlock density		9.277				15.273
		(7.446)				(7.816)
Economic inequality			−26.275**			−28.436**
			(9.409)			(9.338)
Racial homogeneity				15.608		18.917
				(26.963)		(23.045)
Religious homogeneity				2.370		9.134
				(21.585)		(21.045)
Populist ideology					−.173	−.079
					(.356)	(.335)
Constant	−1.058	−9.582	10.637	−19.845	.335	−31.507
	(14.915)	(15.811)	(14.076)	(39.904)	(15.285)	(39.425)
Mills lambda	−3.956	−1.484	−2.813	−1.754	−4.619	5.172
	(5.002)	(5.203)	(4.538)	(7.607)	(5.200)	(7.663)
χ^2	34.168	38.201	49.737	35.821	34.311	59.683

NOTE.—Numbers in parentheses are SEs. $N = 38$.
* $P < .05$, two-sided.
** $P < .01$.
*** $P < .001$.

laws" that have replaced the traditional state-centered command and control. Because private market institutions can be directly manipulated by actors who have interests in them, they are convenient tools for elites. Studying the issuance of alternative local currencies, this article aims to address the need for studies of how elites benefit from adopting private market institutions. It suggests that whether an elite-designed private institution will flow is determined in part by the conflicts of interest between different sectors of a community.

Elites are embedded within their communities, and between them and other social groups there exists a set of mutual dependencies. Elites need backing from other groups so that an institutional arrangement that favors them will run smoothly. Other social groups are willing to ally themselves with elites if the latter are willing to share interests with them. The idea that managing mutual dependence is critical for sustaining elites' governance has been echoed by a number of prior scholars. Tocqueville (1856) argued that caring for the rest of the community actually serves elites' interests in the long run. Baltzell (1958, 1964) similarly emphasized that the essence of elites' leadership lies in commitment to public service and standing above immediate class interests. More recently, Mizruchi (2010, p. 435) coined the term "power without efficacy" to describe the paradox that a lack of political moderation actually diminishes the efficacy of elites' governance. My finding that elites are more likely to mobilize the public's support in relatively equal communities provides additional evidence to support this line of argument. It further suggests that maintaining institutional advantages requires that elites not only seek an edge over others but try to construct a balance of interests with other groups.

By emphasizing the community constraints on elites' efficacy, this article also has implications for the broader questions of the influence of elites in society. Elite theorists and institutional pluralists have long debated about the role of elites, with the former arguing that the privileged group dominates the mass and the latter contending that competition among opposing interests helps to level the playing field between them. At first glance, elites' adoption of social-movement tactics seems to lend support to an elitist view. This practice has rendered some social watchdogs particularly worried about the consequences of elites' picking up the "weapons of the disadvantaged" (Walker 2014). However, this article suggests that while mobilizing the public's support provides elites with an additional source of power, they are nonetheless limited by the relationships with their community. In places where elites are unable to connect with the rest of the community, there is a lower chance that they will be able to get the public's support. Thus community provides some pluralist counterbalance to elite influence.

In studying how community structures affect business behaviors, this article provides a contrast with Prechel and Morris's (2010) work on struc-

tural determinants of corporations' financial malfeasance. Prechel and Morris (2010) showed that corporations' embeddedness in political structures created opportunities for managers to illegitimately advance their self-interest. Defining financial malfeasance as an act that violates a law or a rule established by market regulators, Prechel and Morris (2010) emphasized the nature of financial malfeasance in misleading the public through exploiting information asymmetry. Although currency substitutes issued during the Panic of 1907 were technically illegal, the government was fully aware of them and, in fact, permitted the issues (as clearly indicated by the statement of the banking auditor of Iowa). While Prechel and Morris (2010) emphasized the role of structural holes in enabling managers to conceal financial malfeasance from the public, I find that cohesive community structures enhance bankers' ability to issue currency substitutes. In Prechel and Morris's (2010) study, business organizations acted in isolation, and executives exploited organizational and political structures by using them to hide their malfeasance from the view of the public. But in my study, bankers engaged in collective action and actively persuaded the community to support them. The contrast extends the research on structural embeddedness (Granovetter 1985) by suggesting that embeddedness has different implications for business strategies in different contexts.

In addition, this article also shows that fragmentation matters for elite leadership. Within communities, elite cohesion directly affects the capacity of elites to alleviate financial stringency locally. Yet, at the national level, the lack of coordination among elites in different regions generated the opposite effect. When elites in each region tried to mobilize their community to keep its cash in local hands, their hoarding behaviors only rendered the cash stringency at the national level more severe. Thus, this finding lends support to Mizruchi's (2013) point that elites may be less effective when fragmentation guides them to adopt a narrow view of their self-interest. Future research should also investigate whether factors such as racial and religious homogeneities affect the efficacy of elite leadership.

Second, this article extends the social-movement literature by showing that movement-like tactics are also weapons of elites. In his comparison of the traditional movements spearheaded by disadvantaged groups with those led by elites, Martin (2013*a*) suggested that the most surprising thing about poor people's movements is that they sometimes win in spite of their various disadvantages, while the most surprising thing about rich people's movements is that they even feel they must bother given all the advantages they already have. This article shows that elites will be motivated to mobilize members of their community if we adopt a dynamic rather than a static view of power within a field. Moreover, this article also shows that certain types of community structures facilitate elites' efforts to mobilize community support. By doing this, this article also answers the call of McAdam

and colleagues to move research on collective action beyond the stylized image of contentious politics from the 1960s and embed it in historical contexts (McAdam et al. 2005; McAdam and Boudet 2012).

In addition, this article joins a growing body of literature discussing how firms can benefit from public support. Scholars have paid increasing attention to how firms take on leadership roles in order to mobilize other social groups to participate in collective action (Walker and Rea 2014). Business-led collective action aims at altering public opinions, bettering corporate images, influencing legislation, or directly attacking competitors. One barrier that firms face is that this type of mobilization runs the risk of being discredited as inauthentic or outside the public interest. By showing how community structures affected bankers' efforts to launch currency substitutes, this article suggests that certain structural conditions may help firms overcome this barrier. Moreover, this article also adds to the literature by showing that an additional avenue of mobilization involves seeking the public's support for private institutions.

Third, this article contributes to the sociological study of money. The idea of market money issued by bankers has long been championed by economists who argue that currencies issued by private entities should be allowed to compete with each other just like ordinary commodities (e.g., Hayek 1976; Menger 1892). For them, the public's acceptance of private money is a result of market competition and selection. Yet this article shows that pure economic rationality is hardly adequate, as it alone cannot explain why private currencies were issued in some communities but not in others. Instead, what this article finds is that whether the issuance of private money is possible depends on the social structures of a community.

Moreover, this article contributes to an emerging literature on local currencies. To be sure, the small-denomination currency substitutes issued during the Panic of 1907 were not unique in history. During the Great Depression, local money was issued to compensate for the shortage of federal dollars in many communities by governments, chambers of commerce, stores, barter groups, and charitable organizations (Harper 1948). In the modern era, local currencies such as "Ithaca Hours" have existed in the United States since the early 1990s to support community-based employment, oppose globalization, and advocate community self-reliance. This article contributes to the studies of local currency by showing that while most modern programs are designed to empower the economically marginalized, local currencies can also be deployed by the economically advantaged. Future research should study how elite-led mobilization differs from the grassroots-based kind and how the difference may affect the efficacy of local currency programs.

In conclusion, money is an institution that is embedded within a community, affecting and in turn being affected by it. In Simmel's (2004 [1907],

p. 5) words, money is a "functional category of modern civilization: the symbol of its spirit, forms and thought," and it cannot be divorced from the social relationships it symbolizes. Actors who master the skill to read these relationships can manipulate the monetary system to their advantage.

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