

# HENRY CAREY'S WAR FOR THE 'GENERAL WELFARE' -- 1865-1879

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## 1) INTRODUCTION

The subject of this article is the battle which was fought to defend and maintain the policies of Abraham Lincoln's Presidency in the years following his assassination. The years in question are known to most Americans as the "Reconstruction Period" of the 1860s and '70s, and the "Gilded Age" or the time of the "Populist Movement" in the 1880s and '90s. Those phrases, however, are just dead, meaningless labels, and those of you who take such labels seriously, are basically victims of the "American History for Dummies" approach taught in our schools and popularized by Hollywood.

The political conflict, waged in the years from 1865 to 1879, was an historical turning point, a singularity. The immediate outcome of that battle, and its aftermath, changed human history. Everything which followed, including both World Wars and the great depression, would have occurred much differently, or not at all, were the results of that fight different.

The personal names and particular issues of those years may be unfamiliar to some of you, but the axiomatic questions involved are very relevant to the crisis we face today. Following the 1865 assassination of President Lincoln, a titanic battle was fought, to determine if the United States would continue with the revolutionary economic policies of the Lincoln Administration, or abandon them, under British pressure, in favor of policies of free trade and financial looting. Parallel to that struggle, was the question, whether or not the government and

the political institutions of the nation, would continue in their commitment to the to General Welfare, i.e., the idea that an unshakable commitment to the common good, of the entire population, must be the basis for government.

### Henry Carey

The central figure in this article is Henry C. Carey (1) of Philadelphia. This is not an arbitrary choice. For more than 20 years, from the late 1850s until his death in 1879, Henry Carey was the leader of the "American System" faction in American politics. On an epistemological level, Carey was the acknowledged leading American economist of his day. He was hated and feared by the British aristocracy, whose free trade colonial policies he fought to destroy. On the level of day to day political warfare, it was Carey, the American patriot, who defeated the attempt by the New England "free trade" faction, to use the newly formed Republican Party as a vehicle to ensure the break-up and destruction of the United States. It was Carey who built the political majority to ensure the implementation of the "Lincoln Economic Revolution." And it was Henry Carey, after 1865, who, almost singlehandedly, led the battle for 14 years to prevent the destruction of Lincoln's policies.

Today, the descendants of Carey's enemies have written him out of the history books, and very few Americans have even heard his name. But in 1870, the mere utterance of the words "Henry Carey," would have been enough to send a meeting of British Lords into paroxysms. He was the leading economist, the leading American patriot, and the #1 enemy of the British empire in the years following Lincoln's death. His influence was felt in every part of the world.

At the heart of the "American System" tradition, which stretched from Benjamin Franklin, through Alexander Hamilton, Matthew Carey (Henry Carey's father), and the Henry Clay faction of the Whig Party, was the idea of the supremacy of the sovereign nation state over private capital, and the use of the government's sovereign powers to promote policies of economic development, by means of protective tariffs, internal improvements, and national banking.

Carey developed an extensive network of collaborators and followers. These included his own nephew Henry Carey Baird, Congressman William Kelly, and economists William Elder, E. Peshine Smith and Stephen Colwell. He developed a national "American System" leadership through his activities in Philadelphia, which became known as the "Carey Vespers." Among the participants were iron manufacturers Joseph Wharton and Eber Ward, railroadman Thomas Scott, manufacturer Robert Patterson, publisher Henry Lea (who printed many of Carey's works), Congressman Daniel Morrell, and many others.

Carey's networks included several organizations. Among these were the Home Protective League, the American Industrial League (headed by iron manufacturer Peter Cooper), the Pennsylvania Industrial League, and the Iron and Steel Association and its publication *Iron Age*, which was one of Carey's main outlets in print. Taken together, these extended Carey networks were the force, which in 1860, captured the newly formed Republican Party away from the New England abolitionists, and put forward the economic program that became the "Lincoln Revolution."

## **2) THE LINCOLN REVOLUTION**

Historians often refer to the "Lincoln Revolution" to describe the economic measures implemented under his presidency. The problem in discussing this today, is that most Americans don't even comprehend what the original revolution of 1776 was all about, much less the "Lincoln Revolution." Most people today define "freedom" as the right to do whatever they want with their money, sex lives, and "entertainment" choices. This, however, is the illusory freedom of bestiality, and it was precisely to free humanity from this bestiality that the American Revolution was fought. So, most Americans today have it backwards.

For Hamilton, Franklin and the other patriots of 1776 and 1787, America was not intended simply to be a new nation on the map of the world, but a NEW TYPE of nation. It was to be a nation, where for the first time

in history, human beings were to be constitutionally recognized as human beings and not animals. Unlike the monarchies of Europe, where a privileged few ruled over a backward and wretched multitude, America was founded on the idea of the intrinsic worth of each and every human being. That is the real meaning of the famous phrase “all men are created equal.”

To put it another way, for the first time in history, the biblical charge that all human beings are “made in the image of God” the creator, was to be realized in practical terms in the organization of a sovereign nation state republic.

At the same time, through the willful fostering of economic, educational and scientific progress, not only would the material conditions of life be improved, but this would occur through an increasing intervention into, transformation of, and power over nature, thus establishing the emerging role of human creative thought as the dominant force on this planet.

Abraham Lincoln’s policies represented a return to that outlook. That is the true importance of the words he spoke in his Gettysburg Address, where he proclaims America to be “a new nation, conceived in liberty and dedicated to the proposition that all men are created equal”... based on a “government of the people, by the people, for the people.” Faced with the onslaught of the British-organized southern secession, the question for Lincoln was “whether that nation or any nation so conceived and so dedicated can long endure.”

### What Lincoln Did

The very first piece of legislation enacted by Congress in the history of the United States was a protective tariff. In the first administration of George Washington, under the direction of Treasury Secretary Alexander Hamilton, policies of internal improvements, national banking, and high protective tariffs were all enacted. Hamilton's idea was to develop the “labor power” of the American population, i.e., through the promotion of industrial, scientific, and physical economic development, combined with policies of public education, to increase the power of the nation, and the power of the citizenry, per-capita, to improve and develop the nation.

Lincoln’s commitment was to return government to that constitutional role. Like Franklin Roosevelt seventy-two years later, Lincoln used the powers of his office to initiate a sweeping economic revolution. A partial list of the measures adopted under his leadership from 1861 to 1865 includes: protective tariffs for American industry, the issuance of legal tender (greenback) currency, a National Banking System, the founding of a National Academy of Sciences, the creation of the Department of Agriculture and passage of the Homestead Act, the creation of Free State Land Grant Colleges, and the construction of the Transcontinental Railroad. This scientific and industrial revolution continued after Lincoln's death. From 1865 to 1890, railroad mileage went from 45 thousand miles to 157 thousand, more than all of Europe. Thousands of miles of telegraph wires were built. Revolutionary industrial processes were brought on line, such as the Bessemer steel process. Industrial expansion, led by the iron industry, occurred at a staggering pace.

The popular label of “industrial revolution” for these developments misses the point. This was a “nation-building,” or more aptly, a “republic-building policy.”

### **3) ONSLAUGHT ON LINCOLN’S POLICIES**

The conspiracy to destroy the Lincoln Revolution was organized from a network of New England and New York traitors, whose primary leadership was based among the richest families of the Boston aristocracy, and whose political allegiance was, either overtly or de-facto, to Great Britain. These families, who also controlled and ran the radical abolitionist movement, hated Abraham Lincoln, and they were the bitterest enemies of Henry Carey.

From its inception, the Lincoln Revolution - particularly the high protective tariffs and the issuance of legal tender (greenback) notes - had been accomplished over the fierce opposition of this Boston and New York financial oligarchy. As early as the 1860 Republican Party national convention, these forces had tried to stop the

adoption of the economic planks authored by Henry Carey.(2) They failed, and Lincoln was elected on an "American System" platform. The roots of this anti-Lincoln Boston/New York axis trace back to the treasonous operations of the New England Essex Junto during the war of 1812, and the secessionist plots of New York Democratic Party leader Aaron Burr. In Boston, this traitorous network had been supplemented by the 19th century addition of wealthy merchants, who made their fortunes as junior partners with the British East India Company in the China opium trade.(3)

The two primary political organizations of these Boston Brahmins were the American Social Science Association, and the American branch of the British Cobden Clubs. The Cobden Clubs had been founded in London in 1866, under the direction of John Stuart Mill. They functioned as world-wide propagandists for British free trade policies. The American Social Science Association was founded in Boston in 1865, as an offshoot of the British Association for the Promotion of Social Science. These two organizations then spawned the Boston and New York Reform Leagues, which functioned as the political action arms for these interests. From 1865 on, these four organizations were literally the day-to-day command centers in the war to destroy the Lincoln Revolution.

The membership of these groups represented the elite of the British-allied Tory faction in America. Key leaders included the grandsons of John Quincy Adams - Charles Francis Jr., Henry, and John Quincy II; powerful merchants (i.e. opium traffickers) such as Abiel A. Low, John Murray Forbes and the Lawrence family; the top leadership of the abolitionist movement, including Franklin Sanborn (the founder of the Social Science Association), A.A. Lawrence, Henry Ward Beecher, and Charles Sumner; Cotton merchants like Edward Atkinson; publishers and editors such as William Cullen Bryant and Charles Francis Curtis; and assorted others, including Hugh McCulloch, Carl Shurz, David Wells, Cyrus Field, Amasa Walker, Horace White, Henry Villard, Joseph Ropes, William Grey, Francis Bowen, and C.F. Dunbar.

The most influential publication associated with these networks was the Boston-based "*North American Review*" magazine, which, from 1860 onwards, carried out an unrelenting attack on the Carey economic program. One of the premier "literary" publications of 19th century, the *Review* was bought in 1842 by Francis Bowen. During the next 40 years, it was edited by Bowen himself, and then Andrew Preston Peabody, James Russell Lowell, Charles Elliot Norton, Henry Adams, Henry Cabot Lodge and other members of the Brahmin upper-crust. It became the main American outlet for the ideas of John Stuart Mill, Thomas Malthus, Charles Darwin, and Herbert Spencer. The "radical abolitionists" running the *Review*, also promoted the pauperism theories of Malthus, the new and upcoming ideas of race hygiene, and the "music" of Richard Wagner. From the 1870s, many of the "intellectuals" in the orbit of the *Review* became associated with the "reform" movement, resulting in the "Liberal Republicans" of 1872, and the "mugwumps" from 1876 onward. From 1865 to 1879, the *Review* was also the most prestigious establishment voice demanding "currency contraction" and "specie resumption."

These New England Anglophiles controlled the free-trade opposition to Henry Carey in the Republican Party. They also overlapped with, and were allied with, the financial leadership of New York, grouped around Democratic Party Chairman August Belmont and the Associated Banks. The New York Associated Banks included the houses of Belmont (the official representative of the Rothschild banking interests in America), Morton Bliss, the Seligman Brothers, and Drexel Morgan. From out of Boston and New York, this network exercised powerful top-down control over key newspapers, magazines, university departments, religious institutions, and political organizations.

### The British Plot

In 1861, the British monarchy provoked the southern secession in order to destroy the United States. Then they used their banking agents in New York and London to sabotage any northern opposition to secession, and to economically subjugate what was left of the nation. At the time of Abraham Lincoln's inauguration, the U.S. Government was bankrupt, a result of the policies of Franklin Pierce and James Buchanan from 1853 to '61. The union would be destroyed unless Lincoln could raise the money needed to field an army and finance war

production. The British organized an international credit boycott, cutting off funds, to ensure the break-up of the Union. In the spring of 1861, the Lincoln Administration made a deal with the New York Associated Banks, the only financial institutions in the country with the resources to finance the war effort, to loan the government \$150 million in gold. But on December 28th, following the disastrous Union defeat at the Battle of Manassas, Associated Banks head James Gallatin suspended gold (specie) payment to the federal government, unleashing a chain-reaction payments crisis which culminated when the U.S. Treasury suspended gold payment on all government obligations - domestically and internationally - effectively taking the United States off the international gold standard.

The Tory New York bankers believed that Lincoln could be forced into a total surrender of national economic sovereignty to the London-backed private banking interests. As the crisis deepened, Gallatin presented the bankers demands to the U.S. Treasury: 1) pay for the war effort through a massive increase of direct taxation of the population, 2) make the New York banks the sole (monopoly) agent for the marketing of U.S. Government debt (primarily bonds to be sold in London), 3) suspend the "sub-treasury laws" (government regulation of banks), and 4) withdraw all government issued paper currency, so that only gold and private bank notes would circulate as currency. This plan originated with, and was demanded by, the entire Boston/New York treason faction, and leading figures such as William Cullen Bryant, August Belmont, and John Murray Forbes immediately - and publicly - endorsed it. The threat was overt. The bankers demanded that Lincoln impose massive economic austerity, and simultaneously hand over total control of the nations finances to Wall Street. If Lincoln refused, the bankers would plunge the nation into chaos and bankruptcy, and the war would be lost.

Lincoln, instead, did the unthinkable. He broke with the British-controlled gold standard. He used the sovereign power of the United States to issue more than \$400 million in paper currency (legal tender "greenbacks"), and through his agent Jay Cooke, the U.S. Treasury sold \$2.1 billion of (5:20) government bonds, not to foreign bankers, but to the American public to finance both the war effort and the greatest industrial expansion in human history. Lincoln rejected every one of the bankers demands, and instead, implemented the American System policies delineated in the above section.

At the end of the war, in 1865, the Boston/New York Tories renewed their attack. They demanded that the United States return to the British gold standard. They insisted that the government's legal tender notes be withdrawn, and that the United States return to full gold (specie) convertibility on all of its financial obligations. Claiming that the nation was bankrupt, suffering from runaway inflation, and ruining its foreign credit standing, they unleashed an attack aimed at ending the nation-building policies of the Civil War period. Following Lincoln's assassination this attack went into full gear.

#### **4) THE "CONTRACTION" FIGHT**

Abraham Lincoln was murdered on April 14, 1865. That very same month, Boston Social Science Association leader Simon Newcomb published an article, "Examination of our Financial Policy," in the April issue of the *North American Review*. Newcomb demanded - now that the war was coming to an end - that the nation must return to "sound financial principles." He called for drastic "contraction of the currency" (i.e. deflation), an immediate return to gold convertibility (specie payments), and an end to all protective tariffs. In other words, the total abandonment of the Lincoln Economic Revolution.

A few days later Treasury Secretary Hugh McCulloch, also an Association member, authored a brutal personal attack on Henry Carey that appeared in the *Chicago Tribune*. McCulloch echoed every one of Newcomb's demands. In singling out Henry Carey by name, McCulloch was telling the various networks of the American Tories, that with Lincoln now out of the way, the political power of Carey and his supporters, particularly in the Republican Party, had to be destroyed at any cost.

McCulloch himself had already declared his break with Lincoln in March, 1865, when he delivered his first speech as the newly appointed Treasury Secretary. On that occasion, McCulloch had stated, "My chief aim will be to provide the means to discharge the claims upon the treasury at the earliest date practicable. And to institute

measures to bring the business of the country gradually back to the specie basis, a departure from which is no less damaging and demoralizing to the people than expensive to the government.”

It is nearly impossible to overstate either the importance or intensity of the fight over “currency contraction” that was waged from mid-1865 to 1869. The Civil War monetary growth had financed the most intensive scientific, technological and industrial expansion in human history. It was this industrial revolution, particularly the prospect that it would continue unchecked into the future, that terrified the British. Their first act of political war was to force through a policy of drastic “currency contraction,” i.e., the forced withdrawal of currency from circulation, in order to bring the U.S. economy to an immediate and crashing halt.

It is also impossible to overstate the national leadership taken by Henry Carey in the fight to defeat this attack. Between January, 1866 and the March, 1869 inauguration of Ulysses Grant, Carey issued a torrent of writings aimed at preventing the destruction of the Lincoln Revolution. These writings, totaling well over 1,000 pages, were in the form of Open Letters, Newspaper articles, columns, and longer theoretical works. They were reprinted in the millions of copies, in newspapers, pamphlets and leaflets all over the United States. They had the effect of creating and educating a nationwide resistance to the treasonous plot, and their influence reverberated throughout the country, across party lines, and into every political institution and social layer.

### The Letters to McCulloch

In December of 1865, Treasury Secretary McCulloch released his First Annual Report. In it he asked Congress for legislation empowering him to begin the immediate withdrawal of all legal tender greenbacks from circulation. On December 18, the House of Representatives voted 144 to 6 to cooperate with the Treasury “in a contraction of the currency with a view to as early a resumption of specie payments as the business interests of the country will permit.”

The fact that the House of Representatives could vote 144 to 6 for a dual policy of “contraction and resumption” only nine months after the assassination of Abraham Lincoln, speaks volumes as to the weaknesses which existed within the Republican Party.

Faced with this Congressional collapse, in January and February of 1866, Henry Carey released a series of Open Letters to Treasury Secretary McCulloch. Under the title of “*Contraction or Expansion? - Repudiation or Resumption?*,” these letters appeared in more than 60 percent of the nation's newspapers, and were read by millions of Americans. Their impact was immediate, creating an “anti-contraction” fight virtually overnight, and serving as a clarion call to the American people to defend Lincoln’s revolution.

In the Fourth of these Letters, Carey goes to the core of the “contraction” issue, exposing it as a brutal betrayal of the General Welfare, the issue which stood at the very heart of the Lincoln Presidency:

“A war upon what is called ‘paper money’ is therefore a war upon the poor in favor of the rich; and that the war being made upon it has precisely that effect is proved by the fact, that the western farmer is now being impoverished by reason of such a reduction in the price of corn and oats that the former is being used as fuel while the latter is being sold at 8 cents per bushel, houses and lots in the neighborhood of Wall Street commanding at this moment prices such as had never before been heard of. That such a war can have no end other than that of political revolution the most complete is so absolutely certain that, regarding as I do the future of the country and that of the administration as being inseparably linked together, I feel it a matter of positive duty most respectfully to ask that you should once again examine this question with a view to satisfying yourself that at no time in our history has there existed any such ‘plethora of paper money’ as that of which you speak; and, that the supply of the medium of circulation is not only not in excess, but is, at this moment, so far below the real needs of our people that any attempt at further reduction must be attended with financial and political dangers of the most serious kind.”

In the Seventh Letter to McCulloch, Carey shows that, per-capita and per square mile, the amount of

circulating money is far below that required for economic development. At the same time he defines the real strategic issue at stake:

“The coin in use in France was estimated at ... more than \$900,000,000... to which must now be added the "paper money" circulation, giving a grand total of..... \$1,070,000,000, or nearly \$30 per head. The coin actually in use in Great Britain and Ireland was estimated a few years since at... \$700,000,000, or but little less than \$25 per head. The actual circulation of the Union, as just now furnished by the Comptroller, we know to be \$460,000,000, being \$12.50 per head, or one-half of that of Great Britain and Ireland; France stands in the ratio of but 5 to 12.

“The circulation of France now exceeds \$1,000,000,000, or more than five thousand dollars per square mile... The machinery of circulation of Great Britain...bears to the surface over which it needs to be used nearly the same relations as does that of France.”

In the United States, “the present actual amount being but \$460,000,000, the equivalent of \$12.50 per head of the population, and of less than \$300 per square mile of wholly or partially occupied surface.

“The question, my dear sir, now before you for determination is, in my belief, the most momentous one ever yet submitted to the decision of a single individual. We have just now closed a little internal difficulty, leaving yet for settlement the one great question as to whether the world is, in all the future, to be subjected to that British and anti-national system which has for its especial object that of enabling bankers and brokers to enslave the farmers and laborers, of the outside world... Contraction, by means of which the price of money is being so rapidly carried up, looks in the first of these directions and must result in giving the victory to England.”

Carey's intervention, and the nationwide political resistance it created succeeded - temporarily - in defeating the worst aspects of the “currency contraction” demanded by McCulloch. In April of 1866, Congress passed the Loan Act (a.k.a. the Contraction Act). This allowed for the Treasury to begin withdrawing greenbacks from circulation, but limited the withdrawals to a maximum of \$10 million in the first 6 months, and \$4 million per month afterwards, far below what McCulloch had demanded. McCulloch imposed the maximum allowable withdrawal, reducing circulating greenbacks from \$433 million to \$399 million by October.

### Refinancing the Debt

Withdrawing the greenbacks, however, was only one aspect of the “contraction” policy. In October, 1866 Secretary McCulloch authorized the issuance of \$890 million in interest-bearing government notes, of which \$290 million were converted into long term bonds. The purpose (and effect) of this was to soak up available investment capital, effecting a drastic shrinkage of circulating currency.

Early in 1867, Social Science Association member Joseph Ropes formed a Boston-based Economics Club, which began publishing broadsides demanding further drastic contraction.

In March of 1867, the “Refunding Act,” sponsored by Massachusetts Senator Charles Sumner, was passed, authorizing the treasury to issue \$50 million in long-term government loan certificates (non-circulating), for the sole purpose of buying-up compound interest notes, which had been circulating as currency. In July, 1868, another \$25 million in certificates were issued.

Under McCulloch’s reign, several more of these re-financing schemes were implemented.

Overall, between 1865 and 1875 the amount of money in circulation in the United States (including banknotes, legal tender notes, other interest bearing circulating instruments, and specie), went from \$2.1 billion to \$1 billion, or from \$58 to \$17 per capita. The dollar rose dramatically in value (along with the value of the national debt), while commodity prices plummeted. Measured in commodity values (i.e. real physical-economic terms), the debt of the country doubled during this period.

### The Letters to Wilson

The “contraction” policy was not an economic policy. It was a key part of the British drive to destroy the

productive American economy. In August of 1867 Henry Carey exposed the traitors behind this plot in another series of Open Letters, these addressed to Massachusetts Republican Senator Henry Wilson, a radical abolitionist and an ally of the Social Science Association. Again, these letters were reprinted and circulated throughout the country.

In the First Letter Carey identifies the conspirators:

“Sad experience is now teaching the farming and mining States that for them the only “result” thus far recently achieved has been that of a change of masters, Massachusetts having, so far as regards material interests generally, taken the place of South Carolina, and New England at large, in reference to some of high importance, that of the States so recently in rebellion. Power has gone from the extreme South to the extreme North, and the sectionalism of to-day is likely, as I think, to prove quite as injurious as has already proved that of the past... *the Union is to-day, in my belief, more endangered than it had been in the years by which the war had been immediately preceded.*”

In the Second and Third Letters, Carey exposes the fraud of the radical abolitionists’ reconstruction policy:

“Slavery did not make the rebellion. British free trade gave us sectionalism, and promoted the growth of slavery, and thus led to rebellion. Had Mr. Clay been elected in 1844, all the horrors of the past few years would have been avoided. Why was he not? Because free-trade stump orators of New York and Massachusetts, professing to be opposed to slavery, could not believe him radical enough to suit their purposes. They, therefore, gave us Messrs. Polk and Dallas, and by so doing precipitated the rebellion, for the horrors and the waste of which, North and South, they are largely responsible before both God and man. Judging, however, from recent letters and speeches, they are now willing to take the responsibility of the next secession movement, giving us at one moment the extremist anti-slavery doctrines, while at the next advocating that British free trade policy which had always commanded the approbation of southern slaveholders, and which has reduced, or is reducing, to a condition closely akin to slavery, the people of every community that has been, or is, subjected to it... They make of themselves the pro-slavery men, par excellence, of the world.”

Finally, in the Twelfth and Thirteenth Letters, Carey states the crucial nature of the fight within the Republican Party:

“The Fort Wayne (contraction) decree of Secretary McCulloch, likely to prove of far more enduring importance than the Berlin and Milan decrees of the Emperor Napoleon, is now nearly two years old. As it stands it constitutes the great financial blunder of the age, having already, by the paralysis of which it has been the cause, cost the country more than the whole amount of the national debt. Let its policy be persevered in and it will constitute the greatest in history, for it will have cost the Union its existence.

“With each successive day there has been seen an increased desire to centralize in the trading cities the disposable capital of the country -- hoarding with banks and bankers, trust and deposit companies... From that hour money tended to accumulate in all those cities, and to become more and more inaccessible to men by which it could be made to create demand for human service. From that hour the poor tended to become poorer and the rich to become richer.

“Prior to the Chicago Convention of 1860 it had, as I have already said, been determined by the Trading States that the (Republican) platform, like that of 1856, should be confined to politics alone... It was a British free-trade plot, well arranged, but the defeat it met was thorough beyond example.... The next convention, like that of 1860, will find itself compelled either to endorse or repudiate the monopolies of which I have spoken; to be for or against the doctrine of equal rights; to be American or English; to be for or against that industrial independence without which any attempt at financial or political reconstruction is a useless waste of time and words.”

## **5) FIGHT FOR THE GRANT ADMINISTRATION**



At the 1868 Republican National Convention, Carey's allies were in the minority. The Republican platform endorsed McCulloch's contraction and resumption policies. The platform's economic plank was written by Rowland G. Hazard, a Rhode Island abolitionist and wool manufacturer. Hazard, a member of the Boston Social Science Association and sponsor of the Boston Brahmin's "Concord School of Philosophy," was also a collaborator of Herbert Spencer, and one of John Stuart Mills closest friends in America.

With the nomination of Ulysses Grant, and his subsequent electoral victory, the unanswered pregnant question was -- What would be the policy orientation of the incoming president? The most urgent issue before the nation was that of southern reconstruction. Carey had already defined the only viable approach to reconstruction in the 11th of his 1867 Letters to Wilson, where he said, "Industrial and financial reconstruction (must) precede the political one to have any, even the slightest chance, of permanence."

Two days after the November 3rd election, Carey released a series of Open Letters to President-Elect Grant, which were circulated under the title "Shall We Have Peace?" Carey proposed to the incoming President, that the only way to overcome the political and economic crises facing the nation, was to carry out the rapid industrial development of the South, combined with a continuation of the nationwide economic development policies of the Lincoln years. The bulk of the letters are devoted to a detailed description of how the adoption of Frederick List's *Zollverein*(4) in Germany, had overcome the centuries-old sectionalism of the German people, and created the basis for the economic and political transformation of the German nation.

In addressing the issue of reconstruction, Carey asks:

*"Shall we have Peace -- not a temporary one to be maintained by aid of military force, but such a peace as shall tend, day by day and year by year, so to bind together and consolidate the different portions of the Union as to render absolutely impossible a recurrence of scenes of war and waste like to those which we so recently have passed? Can we have such a peace?"*

*"The road toward perfect peace, perfect union, perfect freedom of trade, and perfect political independence, lies through the establishment of perfect industrial independence. It is the one on which for 40 years Germany has traveled... It is the one we must travel if we would have peace."*

Carey warns Grant of the danger from London's allies in the Northeast money-monopoly, and urges the President-elect to return the government to Lincoln's political outlook:

*"In all time past, the price of money having been wholly dependent on the price in England, the most important intelligence from beyond the Atlantic was that which was to be found in the price of British securities on the Exchange of London. With each arrival, therefore, our railroad shares went up or down because the Bank of England had seen fit to purchase a few Exchequer bills, or had found it necessary to part with some of those it previously had... The stride, in this respect alone, that had been made in the direction of independence, was worth to the country more than the whole money cost of the great war in which we are now engaged..*

*"Throughout the war the government allied itself with the great body of the people, those who had money to borrow, interest to pay, labor and labor's products to sell, comprising nineteen-twentieths of our total population, and hence it was that the war resulted in success so complete. Since then there has been a constant effort at separating the government from that great class, and bringing it into close alliance with that very trivial one, so far as numbers go, which profits by high rates of interest and low prices of labor; and hence it is, there has recently been so much danger of seeing control of the country pass into the hands of those who, North and South, had participated in the rebellion. To that end the greenback, everywhere claimed as the people's money, has by those in high places been denounced, small as is the quantity, when compared for the real need for it.*

### The Wells Report

The counterattack from the American Tories was immediate. In December, 1868, David Wells, the Special Commissioner on Internal Revenue, released his long-expected report on the nation's finances. Wells, a leader of the Boston Social Science Association, had been appointed by the government to conduct a study of the nation's financial health, and his report was expected to serve as the basis for post-war economic and financial

policy. The report which Wells issued, however, was a direct personal attack on Henry Carey, and every one of Carey's policies, designed to pre-empt and destroy any potential role for Carey in the new administration.

Between January, 1869 and the Grant inauguration in March, thousands of copies of Wells' report were distributed, or printed in newspapers throughout the country. The pro-free trade propaganda drive targeted particularly the west and the south, to counter the effects of Carey's organizing. Soon after the publication of the report, Wells was elected the president of the Cobden Clubs in the United States.

Wells' report presented a catastrophic picture of the government's budget and finances, blamed the situation on high tariffs and paper currency, and called for measures even more extreme than those advocated by McCulloch, including immediate specie resumption and cremation (burning) of the greenbacks.

Upon reading the report, Congressman William Kelly of Pennsylvania, Carey's closest ally in the Congress, sent a letter to Carey, which read: "I regard his (Wells) report, supplemented by (Amasa) Walker's letters, as the most insidious Free Trade document that has ever been published in this country."

In January, 1869, Carey responded with his "Review of the Wells' Report," which was circulated as a series of Open Letters under the title "*Protection and Revenue, Public and Private.*" Carey begins by taking up the attacks on him:

"To whom, however, are to be attributed the oft-repeated misstatements by which the committee had been deceived? No name is given, but you of course refer to me, the statements thus controverted having been first published over my own signature, so early as 1851, and since then many times republished ... To me, therefore, it is that you have thus thrown down the glove, and I now take it up... Should it chance to be proved that it is not I that am required to impale myself on the horns of a dilemma which leaves but a choice between the admission of gross carelessness on the one hand, or grosser dishonesty on the other, does it not follow necessarily that you must be compelled to take the place you had prepared for me, and thus furnish yourself the proof required for establishing the fact that you are wholly disqualified for the office of public teacher?"

Next, in the bulk of his response, Carey shows the financial analysis in Wells' report to be a pack of lies, based on fraudulent, concocted statistics:

"It has been said that 'figures do not lie.' That they may be made to speak the reverse of truth would seem to be here most clearly shown. Desiring now to present clearly to your eye all that has above been said of the period now under consideration, I submit another diagram presenting first, a light line showing the entire facts, giving in all cases the figures you yourself have used; and second, a heavy line exhibiting the facts selected by you for presentation, and exposing the process by means of which you have so carefully thrown out of view the rise, under protection, which occurred in the years subsequent to 1830, and the great fall, under the revenue tariff system, which occurred in the years that followed 1840...

"I have now, as always heretofore, given all the facts; you have given only those which seemed best fitted for enabling you to prove (your accusation)...

"Having studied the above, and having seen how very carefully you had suppressed the calamitous revenue years 1841 and 1842; and then again suppressed the wonderfully prosperous period of protection from 1845 to 1848...

"Professing to give a true picture of the working of the Compromise tariff, you suppressed its closing and most destructive years, 1841 and 1842. Professing now to furnish such a picture of the revenue tariff of 1846, you have suppressed the prosperous closing years of its predecessor of 1842, doing this, as it would seem, by way of enabling your fellow citizens to determine on which side lies the 'historical truth...'

"Why is it that your Report has throughout been made so entirely in the interest of men who as you know, are now flooding the country with money to be used in promoting such deception of our people as shall enable them to re-acquire the power that had been secured in the free trade years prior to the rebellion, and then so applied as almost to have made of that rebellion a revolution?

"Why is it that facts so important have been thus suppressed? Why is it that you, a public officer, charged with most important duties, have so misrepresented the general movement...

"Why is it that your Report is in all respects so precisely in accordance with the views and wishes of those

great British 'capitalists' who are accustomed, 'in their efforts to gain and keep foreign markets,' to distribute money so very freely among those of our people who are supposed to be possessed of power to influence public opinion?"

Several months later, in a further reply to Wells, on agricultural policy, Carey says:

"The Commissioner was aware that such had been the real state of facts, or he was not. If he was, then has he now, as before in his Report for 1868, been guilty of misrepresentation so gross, and with such evil intent, as should exclude him from all respectable society. If he was not, then has he shown himself so utterly incompetent for the work he has undertaken as to warrant his prompt dismissal from the public service. "

In February of 1869, one month before Grant's inauguration, Congress repealed McCulloch's Contraction Act. The repeal fight was led in Congress by Carey allies William Kelly, Thaddeus Stevens and Benjamin Butler. The victory, however, was only partial and turned out to be short-lived. Shortly after his inauguration, President Grant called for the retirement of the greenbacks and a return to specie payments. In March, 1869, at the request of the new president, Congress passed the Public Credit Act of 1869, which committed the United States to the (eventual) return to specie payment for all debt. The original Act said: "The faith of the United States is solemnly pledged to the payment in coin or its equivalent of all federal obligations, except those where specifically exempt," and it was amended to include "and to make provisions at the earliest practical period for a return to specie."

On July 14, 1870, Congress passed another "Refunding Act," later modified by an act of January 20, 1871. This authorized the issuance of \$1.8 billion in 10, 15, and 30 year bonds, interest payments to be tax free and payable in specie. This resulted not only in further currency contraction, but also began a massive shift in the holdings of U.S. government debt to a syndicate of London banks which bought up \$1.8 billion of the bonds. By December of 1871, gold was being drained to London at the rate of \$66 million per year.

### Our Future

Two months into the Grant Presidency, in May of 1869, Carey published a work called "*Our Future.*" Intended to rally the Lincoln forces for the fight ahead, it was again, a renewed appeal to the Grant presidency to come to grips with the perilous crisis facing the nation, to understand the strategic nature of that crisis, and to see that the only way through the crisis was to return to the outlook of the Lincoln Administration:

"The most powerful, most dangerous, and most unpopular of free-traders (David Wells) had the offer of the Treasury. Most narrowly, as we are assured, did the nation escape the injury that must have resulted from being represented at Vienna by the President of the British Free-trade League. Almost without exception our chief representatives in Europe are free-traders. Our consuls and consuls general belong mainly, as I believe, to that school which teaches that "the smuggler is the great reformer of the age.." The last of all qualities now demanded in men who are to represent the country abroad is that of being in policy truly and distinctively American disciples in that school in which Hamilton and Clay were teachers...

"For half a century the South governed us, and the end of that government was found in a rebellion.. Avoiding Scylla we have fallen on Charybdis, the money monopoly of the extreme North working almost as much mischief as before had done the slavery of the South.

"Let the Treasury now terminate its alliance with the money-lending aristocracy; let it look a little kindly on the money-borrowing democracy; let it seek to unite itself with the real Congress, and it can then have any intelligent legislation for which it may see fit to ask. Let it fail to do these things, and the downfall of the party will come as certainly as darkness follows the setting of the sun. It came into power as advocate of the rights of the laboring many, black and white, northern and southern. It loses power as it becomes more and more the ally of the few by whom the many are governed, these latter feeling that the whip of the money lender and the lash of the slave-driver are close kindred with each other.

"Britain makes answer by buying up our journals, and by scattering well paid lecturers throughout the

country, many of them professing to be Republicans, but all mainly engaged in making free-trade votes. British gold is thus undermining an Administration whose members wait, as it seems to me, with folded arms, the arrival of the time when they shall find themselves compelled to cry - Too late! Too late!

"Moving in one direction we shall dictate law, thus securing to ourselves a permanent place as THE GREAT POWER OF THE EARTH. Traveling in the other we shall find ourselves compelled to accept as law the decision of Britain, and shall forfeit the place we now seem to have secured.

" The President might, if he would, prevent all this. He might, if he would, have the whole nation at his back. To that end, however, it would be required to know if his Administration meant to look for support to its working men; or, on the other hand, to the bankers of Wall and State Streets, the capitalists of Boston and Lowell, Liverpool and Manchester, all of whom are now so well represented by Messrs. Wells & Atkinson, the Springfield Walker, and other members of a League that derives its chief support from contributions of British and other foreign gold...

"War now exists between British capitalists and American workingmen, farmers, miners, and mechanics. It is a war that can have no end other than that of final and utter ruin to the one or the other. On which side does the Administration propose to fight? For one, I do not pretend even to guess at the answer that may here be given, nor do I know of any one who does. Every hour that such answer is delayed gives strength to that democratic British free-trade party whose advent to power seems now so near at hand.

"Cut boldly!" said the sibyl to the hesitating Roman king. Let the Administration now take the same advice - let it 'cut boldly,' and on the American side, and all may yet be saved. Will this be done? I fear not! The Scotch have a proverb which says, that 'He who wills to Cupar maun to Cupar,' - that is, he who is bent on self-destruction will find a way for accomplishment of his object. The Republican party has so long labored in that direction that it can hardly now be induced to enter on any other. To face the difficulties created by recent finance ministers, and so to do it as to be enabled to overcome them, requires almost as much courage as had been needed for carrying on the war. With every manifestation of such courage, however, the work will become more easy, as confidence will thereby be revived among the great body of the people."

## **6) THE FRACTURING OF THE LINCOLN ALLIANCE**

The capitulation of the Republican Party leadership on the issue of currency contraction, between 1865 and 1868, unleashed tremendous political unrest and realignment in the country. Particularly among farm layers and the young labor movement, but also including entrepreneurs and businessmen, the effects of the economic crisis were devastating. Many leading "War Democrats" who had sided with Lincoln against McClellan in 1864, now turned on the Republicans over the currency and economic issues. Other pre-war Democratic and Whig leaders, who had joined the Republicans after 1854, left the Party for the same reasons.

Perhaps the most striking example of this is the Ewing family of Ohio. Thomas Ewing Sr., the father-in-law of William Tecumseh Sherman, had been a Whig Party leader in the 1830s and '40s. He backed Henry Clay for President three times. In 1841, as the U.S. Treasury Secretary, he, together with Clay, led the unsuccessful fight to charter a Third National Bank of the United States. A Republican during the Civil War, in 1865 he and all four of his sons resigned from the Republican Party, and joined the Democrats. His son, Thomas Ewing Jr., a Union General during the war, emerged in the period from 1868 to 1879 as a key ally of Henry Carey's, and the leader of an Ohio-based effort to break the Copperhead/Wall Street control over the Democratic Party.

In 1868, the Democratic Party national convention adopted a platform, which contained two economic planks. The Third Plank called for "Payment of the Public Debt as rapidly as practicable... and where the obligations of the government do not expressly state upon their face, or the law under which they were issued does not provide that they shall be paid in coin, they ought, in right and justice, to be paid in the lawful money of the United States." The Fifth Plank called for "One currency for the government and the people, the laborer and the office holder, the pensioner and the soldier, the producer and the bond holder."

These planks caused a furor in the country, and were widely denounced as a call for "debt repudiation."

August Belmont, the Democratic National Chairman, vilified them. The *North American Review*, organ of the Brahmin drug-runners, sent a reporter to the Democratic Convention, who sent back a communication on these "abhorrent and disgusting" proposals. The sponsor of the economic planks was the Ohio Democrat Pendleton, a notorious Copperhead (5), and his pedigree only added fuel to the denunciations.

Republican Congressman Thaddeus Stevens, however, the prime force behind the 1862 Legal Tender Act which had created the greenback currency, immediately and publicly endorsed the Democratic economic platform over that of the Republicans. Despite the fact that they came from a scoundrel like Pendleton, and despite the fact that the economic planks were contained within what was otherwise a despicable Democratic Platform, Stevens saw immediately that, three years into the policy of "currency contraction," the Democratic economic planks were closer to the original intent of the Legal Tender Act than anything the Republican leadership was putting forth. Despite a barrage of criticism, Stevens never wavered. In his last public speech, shortly before his death in August, 1868, Stevens delivered a blistering attack on the policy of gold repayment.

Thomas Ewing Sr., the Whig leader turned Democrat, also endorsed the 1868 Democratic economic planks, saying, "To resume (specie payment) now would be of much hardship and injustice to the debtor class of our community -- the class made up of our active young businessmen, merchants, manufacturers, shippers, in short the producing class -- those who combine their own personal energies with borrowed capital, and thus build up gradually an independence for themselves, while they give prosperity to the country. Now if we resume specie payments, we ruin this whole class of businessmen at once and drive them into bankruptcy."

During this period, groups like the Grange and the Anti-Monopoly League grew in membership in response to the economic shutdown. These groups were flawed in many ways, and the western farm groups, in particular, tended to be anti-tariff and infected with anti-government populism. The growth of these organizations, however, reflected the impact of the political fallout from the betrayal of the Lincoln Revolution.

Strikes and labor ferment began to spread after 1865, the first signs that the Republican partnership with workers was disintegrating. As early as February, 1867 a California Workingmen's convention was held, with 140 delegates, representing 30 organizations. Organizers called the convention "to devise a plan for the promotion of the general welfare of the workers of San Francisco." They formed a new party the Workingmen's Ticket, and organized a 2,000 person march on June 8, calling for the 8 hour work day. The Workingmen's Ticket won the 1867 San Francisco primary elections.

Other organizations and individuals began to surface, joining the attack on the "contraction and resumption" policies of the Republican Party. One example is the New York activist Eleazar Lord. Somewhat of an unorthodox gadfly, Lord had a long history of political agitation. He wrote his first work on economics, "Principles of Currency and Banking" in 1828. In the 1830s, he led the attack on Andrew Jackson's forced removal of the Cherokees. He was the founder and first president of the New York & Erie Railroad, the first railroad linking the Atlantic seaboard with the Great Lakes, and in 1861 he made original draft of the first greenback.

Lord was an ardent public supporter of Henry Carey. He was also a fierce critic of David Wells, and a tireless pamphleteer from 1865-70 against the McCulloch contraction policy. Yet his views were not identical with Carey's. A Democrat, Lord strongly opposed National Banking. In his "Review of the (1862) National Banking Law," Lord said:

"For years America accepted the English standard of currency, their aristocratic definition of wealth, and their distinction between capital and credit..."

"The so-called specie basis, whenever there is a foreign demand for coin, proves to be a mere fiction, a practical humbug; and whenever, by an excess of imports, this pretended basis is exported to pay foreign debts, the bank-notes are withdrawn from circulation or become worthless, the currency for the time is annihilated, prices fall, business is suspended, debts remain unpaid, panic and distress ensue, men in active business fail, bankruptcy, ruin, and disgrace reign.

"Necessity must teach us whether we can and must have a currency of purely representative value, wholly disconnected from the precious metals, as a basis and standard, or prolong the conflict between coin and paper, commerce and exchange...Such words as *safe, secured, national, uniform, economical, inalienable*, when

predicated on anything but gold as currency, are to the specie-paying theorist mere sounds devoid of significance... Credit must triumph.”

Carey’s influence spread through all these layers. He saw their shortcomings, but his response was to organize them.

## 7) PANIC AND ECONOMIC TURMOIL

On September 18, 1873, the House of Jay Cooke and Company, one of the largest financial institutions in the United States, declared bankruptcy. The failure of Cooke followed 8 years of drastic currency contraction and, particularly, the "tight money" market of 1872. More importantly, Cooke had been set up by the British. Ardently pro-Lincoln, Cooke had led the “5:20” war bond drive, and was one of the most powerful pro-development forces in the Republican Party. Cook had flaws. He flip-flopped on the issues of greenbacks and specie resumption. Far worse, he tried to play the British game, in financing his operations through the London markets. Nevertheless, the Philadelphia-based Cooke fervently believed in the rapid physical economic development of America. In 1872-73, Cooke had massively committed his bank to the construction of the Northern Pacific Railroad, from Minnesota to Oregon. At the point his finances were the most overextended, the British banks cut off all funds, forcing his collapse.

The Cooke bankruptcy removed the last pro-Lincoln independent financial power in America, and paved the way for the emergence into dominance of the House of Morgan, which had set up a new headquarters at the corners of Wall and Broad Streets in New York City in 1871. After the collapse of Cooke and Co., Morgan became the dominant force in the trading of U.S. Treasury Notes.

The Cooke bankruptcy unleashed financial chaos, and the worst economic depression in the history of the country. The New York Stock Markets shut down for the first time in their history. Within 24 hours of the Cooke bankruptcy, 37 banks and brokerage firms collapsed. By the end of 1873, more than 5,000 commercial enterprises had folded. It was a long, deep economic depression. The following figures tell part of the story:

1873 - 5,183 business failures, liabilities of \$228 million

1874 - 5,830 failures for \$155 million

1875 - 7,740 for \$201 million

1876 - 9,092 for \$191 million

1877 - 8,872 for \$191 million

1878 - 10,478 for \$234 million

1879 - 6,658 for \$98 million (after the passage of the Bland-Allison Act)

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Total - 45,195 for \$1.1 billion

In 1874 alone, 55 Railroads collapsed, including the Chesapeake & Ohio, the Sante Fe, the Burlington, and the Kansas Pacific. By the end of 1875, 108 railroads were in default for \$500 million. The price of pig iron fell by 1/3 in 12 months. #1 charcoal fell from \$34 to \$28 per ton. Rail production dropped from 1 million tons ('72), to 700,000 tons ('74). New rail line construction went from 7,500 miles in 1872, to 1,600 miles in 1875. Coal production dropped 5 million tons from '73 to '75. Pig iron production dropped 1/2 million tons, and by late 1874, 295 of 677 furnaces in the country were shut down. Hardest hit were Ohio and Pennsylvania.

The business failures were accompanied by an unprecedented depression in prices (deflation), which lasted into 1890's, and even worsened after 1884.

In a period predating welfare, unemployment benefits and a social safety net, the human suffering was beyond belief. In 1874 there were 93,000 unemployed in New York City, 25 percent of the workforce. In Chicago 20,000 destitute men besieged the City Council.

## 8) WHAT WAS SPECIE RESUMPTION ?

The word “specie,” as it was used in the 19th century, simply refers to gold (bullion), or gold coins. During certain periods, silver was also minted, creating a limited “bi-metallic” system, in which case both gold and silver were considered legal specie. In 1821, the British Government established the international gold standard, with the (gold-backed) British Pound as the world's reserve currency. In 1844, Britain enacted the “Parliamentary Bank Act” (a.k.a. as the “Peel Act”), which among other things, fixed the international price of gold at £3, 17 Shillings, 9 pence, per ounce of gold. Under the international British Gold Standard, all public and private debts - and all financial obligations, including paper currency - were redeemable in specie, upon demand. Throughout the 19th century the City of London, through its Gold Standard, controlled world monetary affairs. It also directly dominated the world supply of gold. In 1873, London banks held 120 million pounds of gold, while New York had but 40 million, and French and German banks a mere 13 million and 8 million respectively.

During the 1840s and '50s, the British repeatedly used this dominance to wage (undeclared) economic and financial war against her enemies, including, most definitely the United States. This is precisely what the New York Associated Banks attempted in 1861, when they suspended specie payment, and tried to bludgeon the Lincoln Administration into surrendering the economic sovereignty of the United States.

Between 1861 and 1865, U.S. Government debt rose from \$65 million to more than \$2.8 billion. More than \$2 billion of the debt came from the sale of U.S. Government bonds. These included compound interest Treasury Notes, interest bearing notes (which circulated as money); and the so-called “5-20's” (6% bonds, callable in 5 years & maturing in 20). During the war, more than \$1.3 billion of the 5:20 bonds had been sold to the public by Jay Cooke. In addition, \$450 million in government-issued currency was put into circulation, the legal tender “greenback” notes. Despite the political attacks on the greenbacks as inflationary, they represented only about 12 to 15 percent of the government's financial obligations. By 1869, U.S. Government debt - domestic and foreign - stood at \$2.45 billion, of which \$2.1 billion was payable in specie.

### The Legal Tender Act

The Legal Tender Act of 1862 authorized the issuance, by the U.S. Treasury, of \$150 million in paper currency (later expanded to \$450 million), which would circulate as “legal tender in the payment of all debts, public and private, within the United States,” and would be “receivable in payment of taxes, internal duties, excises, debts, and demand of every kind.” The Act was strongly supported by Abraham Lincoln. Under the sponsorship of Carey allies, William Kelly and Thaddeus Stevens, the bill passed the House of Representatives. Stevens, the prime sponsor of the Act, said on its passage “The full Legal Tender Act has been hailed with delight throughout the whole length and breadth of the Union by every class of people.” In the Senate, however, the Act was amended to say that the greenbacks would have only a limited status as legal tender, and could not be used to pay “interest on bonds and notes which shall be paid in coin,” nor could they be used to pay “duties on imports.”

The amendment was attacked vehemently by Thaddeus Stevens. Kelly later said “I remember the grand old Commoner (Stevens) with his hat in his hand and his cane under his arm, when he returned to the House from the final conference, shedding bitter tears over the result. ‘Yes,’ said he, ‘We have had to yield. The Senate was stubborn. We did not yield until we found that the country must be lost or the banks be gratified; and we have sought to save the country in spite of the cupidity of its wealthiest citizens.’”

Stevens, himself, said of the Senate action, “They fell upon the bill in hot haste, and so disfigured and

deformed it, that its very father would not know it. Instead of being a beneficent and invigorating measure it is now positively mischievous. It has all the bad qualities which its enemies charged on the original bill, and none of its benefits. It now creates money - one for the banks and brokers and another for the people. It discriminates between the rights of different classes of creditors, allowing the rich capitalists to demand gold, and compelling the ordinary lender of money on individual security to receive notes which the government had purposely discredited."

As a result of the amendments, greenbacks could not be used to pay interest on the \$1.3 billion in 5:20 bonds which had been sold to finance the war, even if the bonds had been originally purchased with greenbacks! Greenbacks circulated as what Henry Carey called "the people's money," used in local communities, to finance farms, small businesses, manufacturing concerns, etc., but in the financial world they were excluded.

The Boston/New York Tories, however, demanded the complete withdrawal of the greenbacks, and a return to "full specie convertibility," i.e., the pre-1861 system, whereby all debts were payable in gold, and all circulating currency would be redeemable in gold, on demand.

### At the End of the War

After 1865, London demanded four policy changes: #1) Massive contraction of the currency, aimed at destroying the physical productive economy built up during the war, #2) The refinancing of the many different varieties of public and private U.S. debt into long-term gold-back securities, to be marketed in London, permanently tying the United States to the British-controlled gold-standard, and giving the British the ability to plunge the United States into financial and economic chaos, virtually at will, #3) The complete withdrawal of the legal tenders (greenbacks), a sovereign U.S. currency over which the British exercised no control, and #4) the abandonment of the high protective tariffs.

These demands, taken as a whole, meant the complete financial and economic subjugation of the United States to the British Empire. As early as January of 1865, even before Lincoln's death, Carey defined the importance of the greenbacks, in a series of Open Letters to Speaker of the House Schuyler Colfax. These Letters were published under the title "*How to Outdo England Without Fighting Her*":

"Side by side with the question of protection, and equal with it in its importance, stands that of the Currency, to which I propose now to ask your attention.

"To what do we owe these wonderful results of a state of civil war? To rapidity of the societary circulation, and to nothing else! To what have we been indebted for that rapidity? To protection and the 'greenbacks!' What is it that we are now laboring to destroy? Protection and the Greenback!

"The 'greenback' has fallen on the country as the dew falls, bringing with it good to all and doing injury to none. The gasformed currency (private banknotes), on the contrary, is in the financial world what the water-spout is in the natural one. Whirled about by the wind, and wholly uncertain in its movements, none can predict of this latter when or where its effects will most be felt, and all around are therefore kept in a state of fever closely resembling that which distinguishes the financial action of the present hour. The deluge comes at last, destroying both property and life, and making a desert where all before had been happiness and peace. It is to restrictions upon the formation of the dew that we are now invited, leaving wholly unchecked the action of those who profit of the desolation caused by the water-spout."

In an 1868 letter to Hugh McCulloch, Carey defended the constitutional right of the government to issue its own currency: "It was not as a mere war incident that the Legal Tenders were put into circulation, it was the intellectual acknowledgment that the power and right to issue Legal Tender notes was nothing more than the plain and enlightened exercise of a high sovereign prerogative, never to be doubted."



## The Moment of Truth

As the staggering impact of the post-1873 economic shutdown swept through the nation, William Kelly and other Carey allies succeeded in getting both Houses of Congress, in April of 1874, to adopt what became known as the amended "Inflation of Currency Bill." The bill authorized an increase in greenback circulation to \$400 million, increased bank note circulation by \$46 million, and all mention of specie resumption (that had been included in the original bill) was removed. The bill passed the Senate 29 to 24, and the House 140 to 102, with strong bi-partisan support.

Within days, a massive campaign was organized out of Boston and New York, to pressure President Grant into vetoing the bill. The *Financial Review*, a publication founded only months earlier by Social Science Association leader Francis Sanborn, polemicized fiercely against the legislation. Mass rallies were organized in both New York and Boston by the Tory Reform Leagues of those cities. The 3,000 person Boston Rally featured Edward Atkinson, John Murray Forbes, William Grey, and John Quincy Adams II. In New York City, the rally included August Belmont, A.A. Low, Cyrus Field, Francis Walker, and Charles Francis Adams. The "reformers" swamped the White House with petitions demanding a veto of the bill. In April, the Boston and New York Reform Leagues sent a delegation, including A.A. Low, Amos Lawrence, Francis Sanborn, and William Grey, to Washington to meet with Grant. Only days later, on April 22nd, Grant vetoed the bill.

The effect of the veto on the Republican Party was devastating. In July, Grant followed up the veto with a message to Congress demanding repeal of the Legal Tender Act, and full specie resumption.

The Republican Party was in complete disarray. The November elections produced a Democratic Party landslide, with the Democrats taking control of the House of Representatives for the first time since 1854.

On Dec 21st, the Specie Resumption Act was introduced by Ohio Republican John Sherman. After the events of April through November, the lame duck Republicans put up little resistance. The bill passed the Senate, 32 (all Republicans) to 14 (12 Democrats and 2 Republicans). On January 7, 1875, it passed the House, 125 (all Republicans) to 106 (86 Democrats and 20 Republicans). William Kelly led the Republican fight against it. On January 14, 1875, Grant signed the Specie Resumption Act, and requested additional legislation to withdraw \$80 million more in greenbacks by 1879 (Congress refused this request). The full implementation of the Act was delayed until January 1, 1879, at which time the United States was required to return to full specie convertibility.

## Political Repercussions

The 1873 panic lengthened into a deep economic depression, lasting to 1878 and beyond. In 1875 there were more business failures than in '73 and '74 combined. Between '73 and '75 coal production dropped 5 million tons, and pig iron production one-half million tons. Hardest hit by the industrial collapse were Ohio and Pennsylvania. Wage cuts and lock-outs produced strikes in the iron and coal industries.

In January of 1871, the National Labor Union (NLU), an organization led by William Sylvis, the most important labor backer for Abraham Lincoln during the war, issued a manifesto calling for repayment of all government bonds in greenbacks. In 1872 the NLU created the National Labor Reform Party, which fielded electoral slates in many parts of the country that fall. After Sylvis' death, the NLU was replaced in 1873 by the National Industrial Congress, founded under the leadership of German-American Robert Schilling. Schilling, an ally of New York Iron manufacturer Peter Cooper, was to become a key collaborator of Ohio Democrat Thomas Ewing Jr.

Beginning in 1868, and joined by Schilling after 1872, Thomas Ewing fought to seize control of the Ohio Democratic Party away from the Copperheads. Allies of Ewing attempted the same thing in Pennsylvania. Their plan was to use a reinvigorated labor-based Democratic Party in Ohio and Pennsylvania to break the dominance

of the New York-Copperhead alliance within the party nationally. Recruitment of labor was seen as the key. Samuel Carey, a pre-war Whig and a Lincoln Republican, had been elected to Congress in 1868 as a labor-independent. At the 1870 Ohio State Democratic Convention, Ewing and Carey defeated an attempt by Copperhead Clement Vallandigham to endorse a Jacksonian "hard money" platform, and with labor backing, they pushed through the adoption of a resolution against specie resumption and supporting the "interconvertible bond." (This proposal entailed the issuance of legal tender notes which would be interconvertible with government bonds bearing interest of 3.65 percent).

Weeks later, the Pennsylvania Democratic State Convention passed a near identical resolution. The fight for passage was led by labor delegates from the iron region in western Pennsylvania.

In Washington DC, William Kelley and Henry Carey Baird (Henry Carey's nephew) immediately endorsed the Ewing-Schilling "interconvertible bond" proposal, as did Republican Congressman Benjamin Butler. Weeks later Henry Carey gave his personal endorsement.

In March of 1875, two months after Grant signed the Specie Resumption Act, the Greenback (or Independent) Party was founded. The political landscape was being redefined.

## 9) THE "RAG BABY" ELECTION AND ITS AFTERMATH

A turning point in the battle came with the October 12, 1875 Ohio Gubernatorial race, the famous "Rag Baby" election. It was only nine months since the passage of the Specie Resumption Act, and the economic depression was at its worst point. More than half of the Ohio iron furnaces had closed. Huge numbers of people were thrown out of work and wages slashed. The average reduction of coal wages was 33 percent. Top wages in the iron industry were cut from \$3.00 to \$1.50 per day. Because of the scarcity of circulating money, many industries began using the "truck system" of paying their workers in goods or store orders. Frequently the pay was in the form of scrip, certificates to purchase goods at company stores. This scrip became the circulating medium for whole towns.

In 1875, the *Cincinnati Enquirer* said in an editorial "Cast an eye up the Ohio River and see the destruction of the iron industry. The laboring people are threatened, actually threatened, with beggary and starvation. What is the election of this or that man to office in comparison with such a thing?"

At the 1875 Ohio Democratic convention, Thomas Ewing Jr. and his allies seized control of the state party away from the Copperheads. Ewing had proposed a platform plank calling for repeal of Specie Resumption. It was blocked in committee by the Copperhead party bosses, so Ewing introduced it on the floor of the convention, where it passed 386 to 266. Following this victory, two additional planks were adopted, one condemning the policy of currency contraction, and the second calling for the replacement of national bank notes with legal tender greenbacks. The convention then renominated Governor William Allen and chose as his running mate Ewing ally Samuel Carey. The Allen/Carey ticket ran on only one issue, the immediate repeal of the Specie Resumption Act. The elderly Allen rarely campaigned, and it was the labor organizing of Carey, Ewing, and Robert Schilling which dominated the campaign.

The Boston/New York Tory apparatus was terrified of the possibility of an Allen victory. This was the first true electoral referendum on the Specie Resumption Act. In the September 25, 1875 issue of the *Financial Review*, Franklin Sanborn predicted a greenback President in 1876 if Allen were elected. On July 31, Charles Francis Adams Jr., wrote a letter to Cobden Club leader Carl Shurz, urging him to return from his European trip, in order to campaign against Allen in Ohio. Adams said, "Allen's election will be our destruction; his nomination on the rag-money issue was a defiance and insult to us, and his success would render us contemptible... The weapon with which to kill him is the German vote. It is the only effective weapon at hand, and you are its holder. You must come back in time to strike in just at the close with all the freshness and

prestige of your recent German reception.”

Shurz did return to Ohio in September, amidst a mobilization of the entire Tory network against the Allen/Carey ticket. Allen was vilified in Cobden Club controlled newspapers throughout the nation. In *Harpers Weekly*, cartoonist Thomas Nast invented the figure of the “Rag-baby” to depict “worthless” paper currency, and ran numerous cartoons using the caricature, many of which were reprinted all over the country. One of the most famous depicted William Allen holding a rag-baby in one hand, and brandishing a bullionist heart impaled on a spear in the other hand. Around Allen's head was a banner, reading “Vive la Guillotine,” “Tremble tyrants, the Sans Culottes are coming,” and “more greenbacks or death.”

The Cincinnati Gazette likened the situation to “the French Revolution, when such men as (Samuel) Carey, Ewing, Pendleton and (William) Kelly rose to the surface.”

The national Democratic Party leadership organized openly against Allen. August Belmont’s protege, New York Governor Samuel Tilden, arranged a \$100,000 contribution to Rutherford B. Hayes, Allen’s non-descript but solidly “hard money” opponent. The New York City Democratic press was full of anti-Allen articles, many of which were reprinted in Ohio Republican newspapers. Inside Ohio, Democratic Senator Allen Thurman, a “hard money” ally of Belmont and foe of Ewing, repeatedly spoke out, attacking the Allen/Carey anti-resumption platform.

But the most intensive “grassroots” organizing against the Allen/Carey ticket was conducted by the Lyman Gage’s Honest Money League of the Northwest, which flooded the state with broadsides predicting the end of the American Republic if Allen won.

Carl Shurz conducted whistle-stop tours of Ohio, speaking to audiences numbering up to 25,000, with many of the meetings in German communities. Brass band marches and rallies were organized under the slogan “In Hayes we trust, In Allen we bust!”

In Pennsylvania, the *National Labor Tribune*, and other publications affiliated with the Knights of Labor base in the Pittsburgh area, ran editorials blasting specie resumption, and hundreds of labor organizers from western Pennsylvania crossed over to Ohio to campaign for Allen.

On October 12th, Hayes defeated Allen by 5,000 votes, out of 600,000 votes cast. The day after the election, the Cincinnati Enquirer editorialized, “The state election yesterday was marked by events of the most extraordinary character. The Democratic ticket was assailed, and the platform upon which it was nominated bitterly opposed by the organs of the so-called Democrats of New York. They urgently called upon the people to elect our Republican opponents...The wealthy Democrats of New York contributed large sums in behalf of Hayes... That this had some influence upon the result is beyond question.”

On the same day Charles Francis Adams wrote a letter to Carl Shurz, saying, “I got home this morning serene in the knowledge that old Bill Allen’s grey and gory scalp was safely dangling at your girdle.”

### The Aftermath

The political fallout of the pro-resumption Hayes victory was immediate. In November, the Pennsylvania Industrial League (led by Henry Carey allies Joseph Wharton and Henry Lea), broke with Carey and Kelly, and endorsed Specie Resumption. Iron Age, the publication which had printed dozens of Carey's articles, also abandoned the fight. In the November, 1875 issue, Iron Age editor John Williams printed a signed editorial endorsing resumption. Most Pennsylvania Republican Congressmen also went over to resumption.

Splits and fissures were occurring in political parties and institutions all over the nation. In June, the New York Chamber of Commerce had split, with a dissident faction led by Peter Cooper, forming a new organization called the New York Board of Trade. The first act of this group was to send a memorial to Congress attacking the Specie Resumption Act as “a standing menace against all business enterprises.”

The U.S. Congress re-convened in December, amidst a furious national battle over the issue of resumption.

The first showdown came in the House where Democrat Michael Kerr, a "hard-money" stooge of August Belmont, was chosen Speaker over the Ewing ally Samuel Randall. Bills to repeal the Specie Resumption Act were immediately introduced in both Houses of Congress, but they were killed in committee. Repeated attempts to introduce repeal legislation from the floor were ruled out of order. On February 1, 1876, Speaker Kerr refused to recognize Representative John Atkins of Tennessee when he rose to introduce repeal legislation. Later in the month Representative William Holman of Indiana suffered identical treatment.

In January, 1876, Henry Carey Baird issued a call for the withdrawal of all national bank notes and their replacement by greenbacks.

On March 20, 1876 a motion to repeal specie resumption passed the House 110-109 (with 74 abstentions, including more than 50 Republicans). The geographic breakdown is revealing. 96 Democrats voted for the bill, including 11 of 12 from Ohio, 8 of 9 from Illinois, 9 of 10 from Missouri, 8 of 13 from Pennsylvania, 3 of 3 from Wisconsin, and 9 of 9 from Tennessee. Every Democrat from New York, Massachusetts, and Maryland voted against it. 14 Republicans voted for repeal, including 4 from Indiana, 2 from Illinois, 2 from Pennsylvania, 2 from Ohio and 1 from Kansas. The repeal vote was based on the alliance of the "center, west and south" which was exactly what Carey had called for.

On August 5, a bill to repeal resumption passed the House 106 to 86 (with 101 abstentions, including 58 Republicans). 97 Democrats voted for repeal, including 35 of 38 from the west and 43 of 48 from the south. 9 Republicans voted for repeal, all from the west. The bill went to the Senate where it was blocked by the Republican leadership.

## 10) THE 1876 ELECTION

In the summer of 1876, Ohio Democrats called an emergency state meeting in Columbus. Their intent was to devise a strategy to capture the Democratic National Convention, and to nominate a pro-repeal presidential candidate. Thomas Ewing, in motivating this effort, told the delegates in Columbus, "The industries of the nation are being crushed, the laborers brought to poverty, the producing capitalists to bankruptcy."

When the National Convention opened, the battle broke out in the platform committee. The committee adopted a lukewarm and ambiguous resolution on specie resumption. Ewing and four other committee members submitted a minority report, calling for immediate and unconditional repeal of the entire Specie Resumption Act. Ewing took his report to the convention floor, unleashing indescribable turmoil. When Ewing charged that the New York leadership had led the party to disaster, the commotion became so wild that the galleries had to be cleared. Some observers reported that the floor fight was so intense, that the party was on the verge of disintegration. After several hours of violent debate, Ewing's resolution was voted down 550 to 219.

In the Presidential vote, Ewing nominated William Allen, but he received the votes of only the Ohio and West Virginia delegates. August Belmont's protege Samuel Tilden, the man who a year earlier had backed Republican Hayes over Allen, was nominated on the second ballot.

### The Republicans

The Tories #1 priority in the Republican Party was to stop the expected nomination of Congressman James Blaine, the Speaker of the House of Representatives. Although Blaine had voted for Specie Resumption, the Tories feared that his election would open the door for a return of Carey-ite influence into the White House. Blaine had been close to Carey and William Kelly, and he had opposed the McCulloch contraction policy. In public statements, Blaine had called the 1871-73 proposals for the repeal of the legal tender act and the various proposals for currency contraction "completely unwise," and he said that people confused the idea of paper

money as a “promise to pay,” rather than its real nature as “a circulating medium.”

The Boston Brahmins, together with the New York Customs House political machine of Sen. Roscoe Conkling, the New York abolitionist, blocked Blaine nomination. Amid allegations of corruption by Blaine and attempts to link him to a bribery scandal, they began a media campaign to secure the nomination of dark horse Rutherford B. Hayes. Typical was a May 9th editorial in Charles Dana’s *New York Sun*:

“Mr. Hayes became known throughout the country by his brilliant success in defeating Governor Allen in the state election in Ohio last year. Previous to that time, but little had been heard of him outside of the state; but that event at once made him conspicuous and marked his name upon the list of candidates for President... Each of the more celebrated aspirants would rather have him than either of their immediate rivals. He will be nominated... He is that kind of neutral man who is always taken when the powerful chiefs can only succeed in foiling each other.”

This anti-Blaine network was known as the “mugwumps.” It had evolved out of Carl Shurz’ 1872 Liberal Republican movement, and it would be mobilized to block Blaine’s nomination again in 1880. By 1884 most of the Mugwumps moved over to the Democratic Party to back Grover Cleveland. This association of “reformers” and “independent thinkers,” as they liked to be called, was a complete creation of the Boston Social Science Association, and was led by Association members such as Shurz, William Cullen Bryant, Manton Marble, and others.

Hayes was nominated on the seventh ballot.

At the convention, the Conkling/Mugwump alliance voted up a platform, which read in part:

“In the first act of Congress, signed by President Grant, the national government assumed to remove any doubt of its purpose to discharge all just obligations to the public creditors, and solemnly pledged its faith ‘to make provision at the earliest practicable period for the redemption of the United States notes in coin.’ Commercial prosperity, public morals, and the national credit demand that this promise be fulfilled by a continuous and steady progress to specie payment.”

The Boston Tories ran both campaigns. Tilden’s campaign manager was Carey-hater David Wells, while Carl Shurz advised Hayes on economic policy and wrote the economic section of his March, 1876 inaugural address. It read in part, “The feeling of uncertainty inseparable from an irredeemable paper currency is one of the greatest obstacles to a return to prosperous times.”

## 11) THE CROSS PARTY STRATEGY

With both the Republican and Democratic Party leaderships in the hands of traitors, Carey’s allies unleashed an intensive campaign to save the Lincoln Revolution. This was extended irregular political warfare, conducted simultaneously on all fronts and in every business, labor, farm and political institution in the country. The fight was waged across party lines with the intent of creating a national majority for a Carey-ite solution to the crisis.

The cross-party nature of the battle lines could not be more clear, then in a written “debate,” which appeared in the November-December 1876 issue of the *North American Review*, under the title “Resumption of Specie Payments.” The Brahmins’ *Review* had solicited statements from six individuals on the topic of Specie Resumption. These six were Hugh McCulloch, David Wells, Joseph Ropes, John Sherman, Republican Congressman William Kelly and Democratic Congressman Thomas Ewing. Not surprisingly, the debate was stacked with four of the six arguing strongly for resumption. Of the four, only Sherman was not a member of the Boston Social Science Association. The pro-resumption statements were predictable. McCulloch attacked the “plethora of paper money.” Wells defended the sacredness of the debt, and even went so far as to end his piece with a British maxim “There is no person so poor that he cannot give his note with interest for his debts.” Sherman pragmatically defended the Act “as the best that could be gotten.” For his part, William Kelly, in denouncing resumption, quoted Henry Carey and stressed the urgent need for the continued industrial

development of the nation. It is worth quoting Thomas Ewing at more length, to show the unmistakable influence of Carey's thinking on the Democrat:

"THE purpose of the Resumption Law is to destroy the greenback currency. It was hid by its author under the word 'redeem.' That the law will effect the early and complete destruction of the legal tenders is obvious...

"That resumption can be reached without further contraction is true; but it cannot be maintained without a rapid reduction of our effective circulation to one third or one fourth of its present volume. The reasons are obvious. We have not the coin indispensable to float a considerable volume of redeemable paper; we cannot get it; and we cannot keep it.

"The premium on gold is no criterion whatever of the amount of contraction necessary to maintain resumption, or of the consequent fall in values. Mr. Sherman says it is. So said Ricardo, the author of this British-borrowed scheme for starving the workers and fattening the drones. But though the premium on gold was but four per cent when the British Resumption Law was enacted, its execution compelled a contraction of the bank currency of forty-five per cent, and a consequent shrinkage of all values on the island ... Our Resumption Law has already caused a contraction by cancellation and by hoarding, and a consequent average fall of values, of full forty per cent.

"Before this law was enacted, our business and values were adjusted to a volume of about \$750,000,000 of currency. The amount was not excessive. It was but \$ 17.50 per capita; while France, the most prosperous nation on earth, has \$45, England \$34, and Germany \$ 24. We need a larger volume than any of these nations, for they are mere patches on the earth's surface,

covered with cobwebs of railways, and their exchanges are rapidly transacted; while we are spread over a vast continent, largely unimproved, and our exchanges are comparatively slow.

"The fall of values consequent on this law has already nearly doubled all private debts, of which the aggregate is about \$ 7,000,000,000, or three and a half times our national debt. The debtor class so-called are the chief workers of the land. This law robs them of their property, closes their mercantile and manufacturing establishments, and sets adrift with them millions of laborers to sink into pauperism, vice, and despair. It is estimated by "Harper's Weekly" that already three millions of wage people, men, women, and children, are in enforced idleness. Their loss of daily pay at an average of seventy-five cents is two and one quarter millions of dollars a day, or \$700,000,000 a year. This is exclusive of many millions of laborers who still have work on reduced time or lowered wages, and are hanging on the ragged edge of the chasm into which their fellows have already fallen.

"This law enacts a robbery of debtors, tax-payers, and laborers more gigantic than ever was perpetrated by a conquering on a conquered people. It ought not to be, and cannot be, executed. If permitted to stand, it will bring on a general destruction of business, and more dire and widespread woe than the great Rebellion itself inflicted; and it will at last go down in a tempest which will shake our social fabric from turret to foundation-stone. Let it be forthwith repealed. Let us withdraw the threat of contraction and permit our industries to revive and prosper. Let us devise measures to bring home our foreign debt; issue legal tenders in place of bank-notes, and

with the new issue buy up and destroy a part of our bonds; bring all our money to one par by making it all equal legal tender except where otherwise provided by contract; and when our paper, silver, and gold dollars are of equal value, we need not fret about resumption of specie payments."

## **12) THE GREENBACK MOVEMENT**

In March, 1875, two months after Grant signed the Specie Resumption Act, the Greenback Party was founded at a conference in Cincinnati, Ohio. It was created mostly from remnants of the 1872 Labor Reform

Party, combined with Grange and other western farm organizations. In '75 and early '76, the loosely organized party ran local candidates in several states, and in May 1876, at its national convention in Indianapolis, the party nominated New York iron manufacturer Peter Cooper for president.

Only one issue united the greenbackers -- the immediate repeal of the Specie Resumption Act. Beyond that it was a mess. The best were Carey-ites. On the trade issue, manufacturers like Cooper, and most of the labor activists, backed Carey's high protective tariffs. The western and southern elements were generally for free trade. Almost all of them opposed the national banking system. Otherwise, the party was infected with various types of fringe elements.

Peter Cooper, a lifelong Democrat, was 84 years old in 1876, with a colorful but distinguished past. He had built Canton Iron Works in 1828, built the Tom Thumb locomotive in 1830, and built the Trenton Iron Company in 1847, where the first structural iron beams were manufactured. In New York he championed public schools, paid police and fireman, and improved public sanitation. In 1867, Cooper founded and became the first President of the American Industrial League, a Henry Carey-backed organization. The iron manufacturer Eber Ward, an intimate of the "Carey Vespers," was also a member of the League.

During the campaign, Cooper released a compilation of his views, some of which were:

"I always have been, am, and ever shall be with the poor toilers and producers; therefore I desire Congress to legislate for the poor as well as for the rich, who can take care of themselves.

"I consider the persistent class legislation of Congress since the war, a worse despotism than that of Great Britain before the revolution; because it reduces the laboring classes to periodic distress and starvation, that are worse than any despotism; for monopolizing corporations, whether in the form of banks or railroads, have no soul.

"In America we have no aristocrats except those who have sprung up at night as toadstools do in a dung-hill. There is fast forming in this country an aristocracy of wealth the worst form of aristocracy that can curse the prosperity of any country."

"I have endeavored to remember that the object of life is to do good."

In the November election, Cooper received only 80,000 votes. One of the major problems was the campaign role of Chicago-based Marcus Pomeroy. Pomeroy had been the war-time editor of the Copperhead *LaCrosse Democrat*, and he despised Abraham Lincoln. In 1876, he organized more than 6,000 Greenback Clubs throughout the country, and these clubs played a major role in the 1876 grass-roots campaign apparatus. Pomeroy wanted "pure greenbackism," and he fiercely opposed any alliances or cooperation with anti-resumption Carey forces in the Republican or Democratic parties. Throughout the campaign - and in fact continuing into 1880 - Pomeroy issued national broadsides under the names of *Hot Drops*, and *Meat for Men*. Filled with extreme language, these broadsides threatened violence, bayonet-armed greenback militia, revolution, and western/southern secession. As a provocateur, Pomeroy was the perfect foil for the "hard money" forces of the Boston Brahmin apparatus.

### 13) THE ISSUE OF THE NATIONAL BANKING ACTS

Henry Carey, like Alexander Hamilton, Henry Clay and Abraham Lincoln, supported national banking, that is the right of the government to direct and regulate private banking interests. Carey had backed the 1863 National Banking Act, which had placed the unregulated state banks under federal supervision. But his view was that the Act was seriously flawed, and that the way in which the National Banking System had evolved during the post-war years was disastrous. In the 9th of his Letters to President-elect Grant, Carey had said, "The national banking law abounds in defects... There was placed in the hands of a limited number of persons, chiefly

city bankers, a power so excessive that it has enabled them to set at defiance all the power of government, and will without action as above described, enable them so to do forever in the future.”

Most anti-resumption Democrats and Greenbackers simply wanted the National Banking System abolished.

Lincoln himself had made his preference for government-issued greenbacks clear in his June, 1862 veto of a bill which would have allowed the expanded use of private bank notes. In his veto message, the President said: “During the existing war it is peculiarly the duty of the national government to secure to the people a sound circulating medium. This duty has been, under existing circumstances, satisfactorily performed, in part at least, by authorizing the issue of United States notes...”

In 1870, there were 1600 banks in the country, with most concentrated in the Northeast. The National Banking System prevented whole regions from setting up banks. In Georgia, e.g., 123 counties had no banks of any kind. Under the impact of McCulloch’s contraction policy, greenbacks also began to disappear. This left farmers, small businessmen, manufacturers, and working people, without access to any capital whatsoever.

In 1866, a bill came before Congress to amend the National Banking Act. Carey wrote a critique of the bill, called simply, *The National Bank Amendment Bill*:

“The national system as it now exists is a monopoly one, there being no power to create a single rival to existing banks. It compels capital to lie idle and unproductive to its owners, thus increasing the profits, and the power for evil, of those to whom the monopoly has been granted.

“Twenty years since, Sir Robert Peel gave to the people of England a banking law so bad that, now its defects have come to be recognized, it is to be regarded as somewhat wonderful that any one could, even for a moment, have supposed that it could be made to work.

“The most serious defects of the British law have been carefully copied in our own... Now, however, after having legislated out of existence all the State banks, it is proposed to limit the banking capital of half a continent, with a population already far exceeding that of Britain, to an amount that is less than the mere liabilities of two only of the many joint-stock banks of London, and thus to create a monopoly more complete even than that which now so much excites the ire of the English people.

“We have created a monopoly more complete than that of the Bank of England, and in constructing a code of laws for its government have borrowed that ridiculous and absurd idea of Sir Robert Peel, by means of which that great institution has been twice reduced to beg for an Order of Council providing for its temporary repeal, as the only mode of enabling it, with millions of gold in its vaults, to escape the disgrace of actual bankruptcy.

“The more thorough the monopoly shall be made, the more will be the tendency towards large bank dividends, to be followed by financial crises; and the more will the state of things among ourselves approximate to that now existing in Britain.

“With the war... the ‘greenback’ now made its appearance on the stage-giving us, for the first time in our history, an amount of circulation fairly adequate to the performance of the great work of circulating the labor, and the products of the labor, of our vast and widely-scattered population.

“Congress having just now authorized the Secretary to cancel ‘greenbacks’ at a rate that will, in five years, reduce them to half their present amount; and the Senate now proposing to co-operate with him by means of a law under which the bank circulation must, in the same period, be reduced to nearly the point at which it stood in 1860, although the population will then have increased at least a third, while the production should at the very least have trebled.

“The whole is thus a great financial blunder. The country was promised free banking. It has obtained nothing but subjection to a monopoly that it is now proposed to make more complete and permanent than anything of the kind that has ever yet existed in the Union. It did obtain a moderately proper supply of the machinery of exchange, but even that is now to be withdrawn.

“Why, then, it is asked, do they not create more banks? Why do they not enlarge the capitals of those already



in existence? Because of the fact that Congress has granted a monopoly of the privilege of banking, of which certain individuals have already obtained the country's share, the amount of which it is to the interest of 'skillful financiers' to retain unchanged. Because Congress has decreed that the privilege of furnishing 'paper-money' shall be confined to the few that have obtained that monopoly of the banking power by means of which they are enabled to make double and treble dividends. Because Congress fails to see that all our recent success has resulted from the facts that protection on the one hand, and the 'greenback' on the other, made great demand for labor, and thus enabled the poor to contend with the rich for the privilege of aiding in carrying out the war to the successful conclusion at which it finally arrived."

Sixth months later, in his "Open Letters' to Massachusetts Senator Henry Wilson, Carey reiterated the point: "The war gave us in the 'greenback,' the machinery by means of which labor could promptly be exchanged for food and fuel, cloth and iron, and at once all was changed. Forthwith the societary circulation became rapid, and with every step of progress in that direction the nation acquired strength. To the tariff of '61, to the 'greenback,' and to the State in which I write, have we been indebted for power to make the war, and therefore, perhaps, it is, that the whole period of peace has been characterized by an incessant war upon them, each and all. Next in order came the establishment of a national banking system, in itself a good measure, but so very bad in its details that, if they be not corrected, it must inevitably bring about a separation of the trading States of the North and East from the producing States of the Centre, West, and South. Requiring a deposit of the whole capital as security for redemption. of the circulation, it throws the banks on circulation and deposits for power to perform the services for which they were intended. Taxing them heavily it thus produces a necessity for over-trading, and for thus causing that inflation of which our eastern friends so much complain, but which they will be the last to remedy, for the reason that they themselves so largely profit by it."

On November 7, 1867, Boston Reform League leader Edward Atkinson, in a letter to McCulloch, defined the plans that the Tory faction had for the National Banking System, saying:

"The only point of danger is the plausible scheme of substituting legal tenders for banknotes. If you allow me to say what I intended before I learned from Wells that it would probably coincide with your views. I think you will be supported in a bold and determined stand for specie payment at the earliest moment and at any cost... That the banks must be used as the agent to promote the end in view and not destroyed and that the government cannot assume the function of a bank by issuing a convertible currency."

#### **14) THE ABANDONMENT OF THE "GENERAL WELFARE" PRINCIPLE**

By 1877, the country was in the fourth year of economic depression. Railroad construction was at a standstill. Newspapers reported cases of starvation and suicide among the unemployed. The word "tramps" came into use, to describe the new phenomenon of homeless workers. Labor strikes began to hit the country. The first signs were in 1875 in the textile and coal industries. These included the Fall River textile strike of '75, and the famous "Long Strike" of anthracite coal workers in Pennsylvania, where for the first time, Pinkerton detectives were used to battle the strikers. Almost all of these strikes were broken with workers taking wage cuts of 20 to 40 percent, and the unions crushed.

In the year of the Hayes inauguration, the nation experienced a labor revolt, the likes of which went beyond anything in the history of the country – the Great Strike of 1877. This began when railroad workers in Baltimore struck the Baltimore & Ohio Railroad over new wage cuts, on top of previous cuts in both '75 and '76. Crowds of railroad workers, workers from other industries, and the unemployed took over the railroad yards and blocked the trains. At the peak of the strike, 15,000 joined, and the strikers took control of most of the city.

The strike spread rapidly, first to West Virginia, and then throughout the Midwest. In most locations, coal miners joined the actions. In Martinsburg West Virginia, the National Guard fought a gun battle with the strikers. On July 18th, President Hayes ordered in federal troops. On July 20th, Maryland Governor Carroll called out the National Guard, and nine strikers were killed as the Sixth Maryland Regiment fought block to block to retake the city.

In Pittsburgh, 16 were killed in open war with federal troops. In St. Louis, the strikers took over the entire city. On July 24, riots broke out at the railroad yards in Chicago, and the Mayor mobilized 5,000 vigilantes, in addition to calling in both the National Guard and federal troops. Actions spread to other cities, including Buffalo, McKeesport and Erie. By July 25th, all railroad traffic from Canada to the Gulf of Mexico and from the Hudson river to the Mississippi river was halted.

The series of strikes, riots and battles lasted three weeks. In the end, the labor actions were crushed everywhere.

The attitude of the Tories towards the strikers is seen by the editorials in their newspapers. The *New York Tribune* described striking workers as “a wild beast that needed to be shot down.” The *New York Sun* called for “a diet of lead for the hungry strikers.” And the *New York Times* called the strikers “hoodlums, rabble, bummers, looters, blacklegs, thieves, tramps, ruffians, incendiaries, enemies of society, brigands, rascalions, riff raff, felons, and idiots.”

The Great Strike of '77 was, in some ways, the *punctum saliens* for the Republican Party. James B. Weaver, a Union Civil War hero, and the Republican candidate for Governor of Iowa in 1875, walked out of the Republican Party on the day he learned of Hayes order to use federal troops against the strikers. (Weaver would be the 1880 Greenback Presidential candidate.) The moral divide for the Republican Party was the question of their continued resolve to the principle of the General Welfare. This was the promise that Abraham Lincoln had made to the American people. In his first annual message to Congress in 1861, Lincoln had said:

“There is one point to which I ask a brief attention. It is the effort to place capital on an equal footing with, if not above labor, in the structure of government... Labor is prior to and independent of capital. Capital is only the fruit of labor, and could never have existed if labor had not existed first. Labor is superior to capital and deserves much higher consideration. Let the worthy men who toil up from poverty beware of surrendering a political power they already possess, and which if surrendered will surely be used to close the door of advancement against such as them, and to fix new disabilities upon them till all of liberty shall be lost.”

Henry Carey knew that if the Republicans abandoned their commitment to labor, farmers and the poor, that the Lincoln Revolution would be destroyed, and that the Republican Party would go the way of the Federalist and Whig Parties before it. During and after the war, Carey had called for a new and permanent political majority to govern the country. Geographically this was to be an alliance of the “producing regions” of the center, west and south. Morally, it was to be based on a partnership between the national government and the “producing,” (i.e. labor, industry, and agriculture) classes. Carey had defined this approach as early as his 1851 work, *The Harmony of Interests*. Later, in his 1866 reply to the Wells report, Carey had said, “Throughout the war the government has been in alliance with the landowner, the trader, the manufacturer, the laborer, and the borrower of money, against the lender of money, and to that alliance has the country been indebted for all its recent success.”

In the years preceding his death, Carey warned again and again in his writings, that the financial demands of specie resumption, would lead to unprecedented bankruptcy and impoverishment of the producing classes, and that this represented an unforgivable political betrayal of the Lincoln legacy.

As the crisis of '77 deepened, Carey published two more series of Open Letters, the first directed to President Hayes, *Resumption: When and How will it end? Letters to the President of the United States*, and the second to Detroit businessman and Greenback leader Moses Field, *Monetary Independence: Letters to the*

*Honorable Moses Field.*

In the political shockwaves, reverberating from the summer strikes, Congress reconvened in November, and the most intensive effort, to date, for repeal of the Specie Resumption Act was launched. With Kelly leading the Republicans and Ewing the Democrats, the House voted through a bill for repeal, but after Hayes announced his intention to veto it, the bill died in the Senate.

## **15) THE GREENBACK-LABOR PARTY AND THE CAMPAIGN OF 1878**

In the midst of this national existential crisis, a renewed effort was made to pull together a nation-wide coalition which could retake the Congress and effect the immediate repeal of resumption. This time, the leading role was taken by the Knights of Labor. The Knights had emerged by the late 1870s as the dominant labor force in the country. Their leader, Terence Powderly, was at the center of the Henry Carey-run (anti-British) Irish political circles in Philadelphia.(6)

After the disappointing achievements of the Greenback Party in 1876, the Knights of Labor took charge of an intensive rebuilding and expansion of the Party. Under the slogan of "An injury to one, is the concern of all," they organized town to town, door to door, and coal field to coal field, recruiting both to the Knights and to the Greenback Party. They concentrated their efforts in Pennsylvania and Ohio. In the first test of this organizing, in the fall of 1877, Greenback candidates polled double digit votes in dozens of local elections.

A decision was made to hold a convention for the purpose of founding an entirely new party. The sectarian policy of 1876 was to be abandoned, and a drive launched to rally all the elements of the anti-resumption fight, without delay. In Detroit, Moses Field, the Greenback Party leader and former Republican Congressman, organized a meeting of manufacturers and industrialists, an element that had been largely missing in the 1876 Greenback campaign. William Kelly attended and spoke at the meeting, and Henry Carey sent a letter of support.

In February of 1878, the national convention was held in Toledo, Ohio. Dominated by the Knights of Labor and other Carey allies, the convention abolished the original party structures and created a new political party, which they named The National Party. Robert Schilling, the Ohio labor ally of Thomas Ewing, wrote the new party's constitution. The first plank of the party's platform called for "a purely national circulating medium, based on the faith and resources of the nation and issued directly to the people, without the intervention of any system of banking corporations, which money shall be legal tender in payment of all debts, public or private."

The key issue was the strategy for the November elections. The convention endorsed a Powderly proposal for "fusion" tickets, i.e., a strategy to capture the House of Representatives with a cross-party majority. To that end, the Party would run its own candidates in districts where both the Republican and Democratic candidates were "hard money," and form fusion tickets in districts where a Carey Republican or Ewing Democrat was running. The campaign strategy was focused heavily into labor districts.

Agent provocateur Marcus Pomeroy stormed out of the Toledo meeting, with the parting words "We will not affiliate in any degree with any of the old parties, but in all cases will vote only for men who entirely abandon old party lines and organizations.

### The Election

Quickly dubbed the "Greenback-Labor Party" by the press, the party fielded Greenback-Labor and fusion tickets in thousands of races. In October the party won two of the five Congressional seats in elections in Maine. In Massachusetts, the party ran almost exclusively fusion tickets, to challenge the Brahmin political machine on its home ground. Former Republican congressman Benjamin Butler ran for Massachusetts

Governor, on a joint Democratic-Greenback Labor ticket. William Kelly, himself, ran for reelection in Pennsylvania, on a Republican-Greenback Labor fusion ticket. Terence Powderly campaigned for Mayor of Scranton, Pennsylvania as a straight Greenback-Labor candidate, and was elected.

The opposition was massive. Newspaper editorials warned of an impending French Terror. Thomas Nast's "rag-baby" cartoons were revived and printed everywhere. The greatest fear of the Tories was that the new party would sweep the west, and the Honest Money League of the Northwest, under Lyman Gage's leadership, was deployed to stop the threat. Anti-Greenback broadsides and pamphlets were distributed by the millions. Anti-Greenback town meetings and rallies were organized in Ohio, Michigan, Illinois, Indiana, Wisconsin, and Iowa. Those fears were well founded. Despite the anti-Greenback campaign, two-thirds of the November Greenback-Labor vote came in the west.

In New York, the agent Pomeroy, operating through his ally Eugene Beebe, who ran the New York Legal Tender Club, provoked a three way split in the party, effectively destroying its campaign in the state.

In November, the Party won more than 1 million votes outright, and elected 14 Greenback-Labor Congressmen, with an additional 7 to 10 elected on fusion tickets. Additionally, many anti-resumption Democrats and Republicans, who had declined a National endorsement, were elected, giving the House an absolute majority favoring repeal of resumption.

### The Greenback-Labor Party in the South

One point worth noting is the success of the Greenback-Labor Party in the south. Almost completely integrated, with a large African-American membership, and oriented to a Carey-ite program, the success of the party shows what might have been possible politically, were the southern industrial development policy of Henry Carey and Thaddeus Stevens implemented.

In Texas, the party's first convention was in March, 1878, and by the November elections, it had replaced the Republicans as the #2 party in Texas, winning 12 state legislative seats and electing 1 congressman. The June, 1880 convention in Austin was attended by 140 delegates, including 20 blacks. The Harris County Greenback-Labor club was totally integrated and composed mainly of mechanics, merchants, laborers, and contractors. In 1878 the Republican Party endorsed William H. Hamman, the Greenback-Labor candidate for Governor, who polled 35 percent of the vote.

Another Texas Greenback-Labor leader was Barzillai Chambers. He left the Democratic Party in 1876 after the national convention failed to back the Ewing platform and became a founding member of Texas Greenback-Labor Party. He was elected to Congress in 1878, and was the party's Vice-Presidential nominee in 1880.

In the 1878 elections the Greenback-Labor Party received 57,000 votes in Texas with strong black support, 61,000 votes in Missouri, 10 percent in Tennessee and 22 percent in Mississippi. It elected 18 state legislators in West Virginia, 14 in Arkansas, and 2 in Georgia. The party was also particularly strong in Alabama and Arkansas. During its brief existence, the majority of Greenback-Labor votes in the south came from black voters

## **16) SAVING BRITAIN'S GOLD STANDARD**

In the month of December, 1878, fourteen separate bills were introduced into the U.S. Congress, in a last ditch attempt to repeal the Specie Resumption Act. All failed. On January 1, 1879 the act took effect. The United States was effectively back on the British Gold Standard. All U.S. Government debt was payable in gold, all U.S. circulating currency - of whatever kind - was convertible into gold upon demand, and the amount of greenbacks in circulation was cut to \$300 million, with a plan for their eventual retirement.

Legislation was passed requiring the U.S. Treasury to maintain a gold reserve of \$100 million, in order to meet any demand for redemption. Obtaining foreign gold became a priority, and this hinged on keeping U.S. exports cheap, and the price of wages, farm produce and raw materials low. Prosperity was now defined by the status of the balance of gold payments, not by the yardstick of either the physical economy or the state of the general welfare of the population.

Beginning with the Hayes administration, the major preoccupation of the U.S. Treasury was in building up and maintaining the U.S. Gold Reserve. John Sherman's first act in office, as Hayes Secretary of Treasury, was to negotiate a gold loan from London. This was followed two months later by negotiating a second gold loan from the sale of 4% bonds. In April of 1878 Sherman arranged - through the Houses of Morgan and Rothschild - a huge \$50 million gold loan from London. This became known as "Sherman's Coup," and was said to "have secured resumption." These foreign bond sales continued through the '80s and '90s.

A syndicate of U.S. banks, working as partners with their friends in London, completely controlled the refinancing of U.S. government debt. These swindlers included Morton Bliss and Company, August Belmont (for the Rothschilds), the Seligman Brothers, and Drexel-Morgan.

### Deflation

From 1870 to 1895, there was a total collapse of wholesale prices. Wheat went from \$1.06 to 50 cents per bushel; cotton from 15 cents to 4 cents per pound; corn from 53 cents to 25 cents. Wheat and cotton were the two chief U.S. exports, and a major source of foreign gold. The deflation caused an increased looting of the country's physical economy; e.g., the cotton harvest of 1895 was 2 1/2 times that of 1870, yet brought the farmers less money. The collapse in farm income led to massive foreclosures. By 1893 loan companies owned 90 percent of the land in western Kansas. Overall, wholesale prices fell 50 percent from 1870 to 1896. Farm prices even more.

Part of the swindle, was the use of the national debt to loot the U.S. economy and workforce. Since 1865, one of the main demands of the New York/Boston axis was for the government pay off the national debt. In 1866, U.S. Government debt was \$2.8 billion. Over the next 20 years, \$2 billion in principle (and \$1.2 billion in interest) was extracted out of the U.S. economy to pay the debt down to \$800 million. This, however, was completely illusory. In real physical-economic terms, things actually got worse. The chart below translates the dollar values of the debt into commodities.

	1866	1885 (m=million)
Money debt	\$2,800	\$800
Beef, barrels	129m	135m
Pork, barrels	82m	96m
Corn, bushels	2b	3b
wheat, bushels	800m	1.7b
Cotton, bales	12m	34m
Coal, tons	213m	400m
Iron, tons	24m	40m

In other words, during this period, the U.S. paid \$3.2 billion in debt payments, but by 1885, measured in commodities, the government's debt was actually 50 percent to 200 percent more, in physical economic terms.

## Silver

During the late '70s, agitation began for the remonetization of silver, which had been demonetized in 1873. Republican leaders, like Blaine and McKinley, who supported specie resumption but otherwise shared Carey's vision of industrial expansion, viewed the limited use of silver as useful to provide additional investment capital within the confines of the British gold standard. Blaine, in particular, championed this view. In an 1880 speech, Blaine said:

"I believe the struggle now going on in this country and in other countries for a single gold standard would, if successful, produce widespread disaster in and throughout the commercial world. The destruction of silver as money, and the establishment of gold as the sole unit of value, must have a ruinous effect on all forms of property except those investments which yield a fixed return in money... If, therefore, silver has been demonetized, I am in favor of remonetizing. If its coinage has been prohibited, I am in favor of ordering it to be resumed. I am in favor of having it enlarged."

The greenback movement was divided. Initially, many saw the silver agitation as a diversion from the legal tender issue, and some charged that silver remonetization was a plot to destroy the legal tenders, i.e. to use silver to achieve specie resumption, thus allowing the redemption and subsequent withdrawal of all the legal tenders. The fact that many of the Brahmins, such as Francis Walker, publicly backed limited silver remonetization, gave some credence to these charges. However, as efforts to stop resumption failed, many greenbackers, particularly among the farmers, jumped on the pro-silver bandwagon. The hard core bullionists, led by Carl Shurz's "mugwumps," denounced all moves for silver monetization. For John Sherman, faced with the challenge of full convertibility, the issue was a pragmatic one. The U.S. simply did not have enough gold. If some quantity of silver could be brought into the equation, it would ease the burden of convertibility. A limited bi-metallic standard would give the Treasury additional reserves:

### US Gold Production:

1850 - \$50M (stayed between 45-50 through 1870)

1875 - \$33M

1881 - \$30M

### US Silver Production

1850 - \$50K

1875 - \$31M

1881 - \$43M

Not all of the pro-silver opinion was pro-resumption, however. In 1877 Congress passed the amended Bland-Allison Act which made silver, once again, legal tender and authorized the Treasury to purchase and mint \$2 million to \$4 million of silver per month. Henry Carey endorsed the bill, and called on Congress to override the threatened Hayes veto (which they did). Carey's view was in some ways, practical, as well. 1877 was the nadir of the '73-'78 depression, and, even as he led the battle for resumption repeal, Carey saw the infusion of silver dollars as a means to lessen the immediate destruction of the physical economy.

## **17) PANICS & THE WAR ON LABOR**

### 1884

In February of 1884, the Assistant U.S. Treasury Secretary sent an inquiry to the President of New York Clearing House inquiring on the financial effects of the U.S. paying its balances in silver. This action set off what became known as the "Silver Panic," and the New York banks responded by calling in outstanding loans, and hoarding specie. The severity of the contraction and credit crunch unleashed what became known as the "Panic of 1884." By the end of the year, 10,968 business had failed with liabilities of \$226 million. The economic impact hit the west and south particularly hard. At the height of the crisis, the New York banks launched a raid on the Treasury, demanding immediate gold redemption for greenbacks.

Behind the crisis was Carey's old enemy Hugh McCulloch, who had been brought back in as Treasury Secretary by President Chester Arthur, the successor of the assassinated James Garfield.

In the 1884 November election, the rabid hard money bullionist Grover Cleveland was elected, and his presidency continued the intense deflationary policies. Between 1885 and 1888, there were 51,748 business failures, with liabilities of \$757 million.

To offset the impact of the crisis, in 1890 Congress passed - and President Benjamin Harrison signed - the Sherman Silver Purchase Act, which doubled the amount of silver the government would purchase, and authorized the issuance of convertible paper certificates (These became known as Sherman Silver Notes).

### The British String-pullers

Between 1890 and 1893, the Bank of England imposed a severe contraction on new capital issues. These went from 142.6 million pounds in 1890 to 104.6 million in '91, 81.1 million in '92, and 49.1 million in 1893. At that time, British new capital issues accounted for 75 percent of all foreign investment in United States. One of the first victims was Baring Brothers Bank, which, following a default by Argentina on loan repayments, declared bankruptcy on Nov. 20, 1890. Baring had been one of the largest underwriters of U.S. Securities and railroads. Between 1890 and '93, huge quantities of European - particularly British - assets in the United States were sold off. Gold raids from Europe took \$40 million in specie out of the country in the last three months of 1890, reducing the Treasury gold reserve from \$190 million to \$150 million. The drain continued from 1891 through '96.

In addition to organizing the foreign gold raids, the British drove down the world price of silver from \$1.20 per ounce to \$0.98. In the United States this provoked panicked redemption of Silver Treasury Notes (issued under the Sherman Silver Purchase Act of 1890), further draining U.S. gold reserves. By early 1893, the Gold Reserve stood barely above the \$100 million barrier, which if breached, would trigger an automatic suspension of gold payments by the Treasury.

### The Great Panic of 1893

On Feb 20, 1893, the Philadelphia & Reading Railroad, with a debt of \$18.5 million and only \$100,000 cash on hand, declared bankruptcy. In March of 1893 Grover Cleveland was inaugurated President on a strict "hard-money" platform. On April 21, the Treasury's statutory gold limit was breached, and Pennsylvania Steel announced bankruptcy. On May 3, a massive sell-off took place on Wall Street, and on May 4, National Cordage, the most actively traded and widely held security in the country, collapsed, its share price having gone from \$140 to \$20 in less than 48 hours. Thus began the "Great Panic of 1893."

In June, 128 banks failed across the United States. On June 26, Lord Landsdowne, Viceroy of British India, closed all Indian Mints to the coinage of silver. India had been the second largest consumer of silver, after the United States. The price of silver dollar dropped to \$0.50 per ounce, creating mass dumping of Sherman Silver Notes in the United States.

In July, the Erie Railroad filed for Bankruptcy. In August, the Northern Pacific followed suit. On August 28,

Congress at the request of Pres. Cleveland, repealed the Sherman Silver Purchase Act.

In October, the Union Pacific Railroad went bankrupt, followed by the Atchison, Topeka & Santa Fe in December.

For the twelve months of 1893, 15,000 companies failed; 500 banks went into receivership (mostly in the south and west); 30 percent of country's rail system became insolvent. The suddenness and intensity of the economic shutdown was worse even than 1873.

Unemployment rates went to double digits and remained there for six years:

1893 - 11.7 percent

1894 - 18.4

1895 - 13.7

1896 - 14.5

1897 - 14.5

1898 - 11.6.

Industrial unemployment rates were 50 to 100 percent higher. Desperation strike waves swept the country, as poverty spread. Hardest hit of all were the south and the west.

One of the effects of the crisis was to increase the British control over both productive industries and the financial community in the United States. Railroads, industries and financial institutions were all bought up for pennies on the dollar.

In February, 1895 Pierpont Morgan and August Belmont organized a foreign syndicate to arrange a huge purchase of 3.5 million ounces of gold to augment Treasury reserves. In 1896 Cleveland's Treasury Secretary John Carlisle, with the backing of Morgan, organized a successful government bond issue. These combined actions brought the Treasury gold reserves back over \$100 million. Between 1894 and '96, the Treasury released four separate bond issues, totaling \$260 million in order to obtain gold.

## 1907

This was the last of the major 1865-1928 panics. Once again, a London-imposed policy of contraction and interest rate hikes drained specie out of U.S. markets, this time during the spring and summer of 1907.

The crisis broke among the overextended New York City trust companies. In October of 1907, a series of runs began to hit New York banks. On October 21, the National Bank of Commerce announced that it would stop clearing the checks of the Knickerbocker Trust Company. This threatened a chain reaction implosion of the entire "check clearing" arrangement at the heart of New York bank operations. On October 22, Knickerbocker Trust suspended payment. A bank run began against the Trust Company of America. Between October 24-25, the Stock Market suffered a near melt-down.

"Check-clearing" practices were created with the founding of the New York Clearing House Association in 1853. Located at 14 Wall Street, the Association modeled its operations on those of the London Clearing House System which had been established in 1773. During the Panic of 1873 the New York Association began issuing "Clearing House Loan Certificates," which circulated among member banks as quasi-currency, backed by discounted bank notes, and payable through the Clearing House. Although these practices violated federal laws, Association members claimed that they were needed to "stabilize currency fluctuations and bank settlement procedures." When the National Bank of Commerce refused to honor Knickerbocker's paper, this set off a chain reaction which threatened an implosion of the entire operation.

This crisis was ended when a huge bailout was arranged by JP Morgan, Kuhn Loeb, First National Bank, and John D. Rockefeller. One result of the panic was the failure of Westinghouse, which was then taken over by the Mellon family.



## Strikes and Desperation

From the 1880's onward, thousands of strikes and labor actions swept the United States.

Unlike the labor activity in the time of the Lincoln Presidency when workers looked forward to greater participation in the continued economic progress of the nation, the massive labor unrest of the '80s and '90s was driven by a fight just to survive. The organized labor movement had been virtually wiped out in the long depression of 1873-78 and the strikes of 1877. The number of national unions had dropped from 30 to 9, and by 1877 union membership had dropped from the hundreds of thousands to fewer than 50,000 workers in the entire country. By the 1880s, labor actions were defensive and desperate.

In 1886-87 alone there were 3,000 strikes in the United States. On May 1, at a strike led by the Knights of Labor at McCormick Harvester, local police and Pinkerton guards opened fire, killing 6 strikers. Three days later, a Chicago rally to protest the killings, erupted into the famous Haymarket Riot, where 7 policeman and 4 demonstrators were killed, and 100 more injured.

1888 witnessed the "Great Railroad Strike," with tens of thousands of workers striking in Chicago, Milwaukee, St. Paul, and throughout the west.

In 1892, Carnegie Steel attempted to impose an 18 percent wage cut at its Homestead Plant. When the union resisted, Carnegie fired all the workers. The company built a 3 mile fence around the plant with rifle holes at shoulder height, and hired 300 Pinkerton guards to man the fence. In the Battle of Homestead on July 5th, 9 workers were killed and 40 wounded, while 7 Pinkerton guards were killed and another 200 shot. The strikers burned the Pinkerton's barges, and forced the rest to surrender. 8,000 Federal troops were brought in, and over the next four months the strike was savagely crushed. Fourteen more strikers were killed and 163 seriously wounded. The Amalgamated Associated Union was broken, and this was the last attempt to organize steelworkers for 45 years. This is the strike that produced the song "Father was killed by a Pinkerton Man."

In 1894, The Pullman Company in Chicago (manufacturer of Pullman Cars for the railroads) laid off one third of its workforce and cut wages for the rest by 40 percent. The workers struck, and the company responded by firing all the strikers. Within days, almost all the railroad workers west of Chicago went on strike. President Cleveland ordered in federal troops. The strike was crushed, one half of the workers were laid off and the American Railway Union broken.

Related to the Pullman strike were the Lehigh Valley Strike and the Chicago Union Stock Yard Strike (where, again, Federal troops were called in by Cleveland).

1894-97 brought the Bituminous Coal Strikes. In 1895 there was the Brooklyn Street-car Strike. 1900 saw First Anthracite Coal Strike - settled by the personal intervention of William McKinley, and this was followed by the Great Anthracite Coal Strike of 1902, where the entire Pennsylvania militia was mobilized, and 8500 militiamen served in coal fields.

Almost all of these strikes failed, and the unions were broken. Most of the industries would remain non-union until the 1930s or '40s.

The desperation of the working population combined with the violence of the repression, drove many labor organizers into the socialist movement, and spawned anarchist and other fringe movements, which became the play ground for British-sponsored agent-provocateurs. These, in turn, targeted the industrial and manufacturing leadership - not the bankers - as the "enemies of the workers."

## **18) CAREY'S ENEMIES**

The crushing of labor and the slashing of wages were defended by a chorus of economists and academics. Henry Carey was the fiercest opponent of these networks during his lifetime. After his death, during the 1880s

and '90s, these individuals rose to dominate universities, establishment publications and both political parties. Not surprisingly, the Boston Social Science Association and its tentacles dominate the grouping. The following is only a partial list:

Francis Bowen (1811-1890) - A top player in Brahmin circles. Bowen bought the *North American Review* in 1842, and transformed it into the key epistemological weapon to combat the American Intellectual Tradition. He became the leading Professor of Moral Philosophy at Harvard. William James, C.S. Pierce, John Fiske, and Chauncy Wright were all his pupils, and under his influence, they founded a Metaphysical Society out of which sprang the philosophy of "Pragmatism." Bowen wrote the first English translation of deToquevilles "Democracy in America." He also wrote "American Political Economy" in 1870, where he originated the idea of burning all the greenbacks (cremation), which was picked up by David Wells. In 1879 he authored "Malthusianism, Darwinism and Pessimism."

Charles F. Conant (1835-1886) - In 1877 he was appointed by Treasury Secretary John Sherman to be the Treasury's "funding agent," with broad powers on refinancing the national debt. He spent the next two years in London, working with the Rothschilds & Drexel Morgan. In 1880 he wrote "Specie Resumption & Refunding of the National Debt."

Charles A. Conant (son of Charles F.) - Ran the New York Reform Club. Wrote "A History of Modern Banks of Issue"(1886) and "The Principles of Money & Banking"(1905). Became a top financial advisor to McKinley, Teddy Roosevelt, Taft, and Woodrow Wilson. Served as Editor of the Wall Street Journal and also "Banking Magazine." In 1898 he published in the *North American Review* a piece called "The Economic Basis of Imperialism," arguing the need for imperialism in response to the recurrent economic depressions of the late 19th century.

Horace White (1834-1903) - The #1 leader of the Social Science Association during the 1870's fight over Specie Resumption. Edited the *Chicago Tribune* from 1864 to 1870. In 1883 he became the Financial Editor of the *New York Evening Post*. Wrote "Money & Banking" in 1895. In the 1870's White emerged as one of the leading organizers for "civil service reform." In 1934 Oswald Villard, the son of Association member Henry Villard and the grandson of abolitionist William Lloyd Garrison, described White as "a great economic conservative, who, had he lived to see the day of the New Deal financing, would probably have cried out loud, and promptly demised."

Edward Atkinson (1827-1905) - A Boston cotton broker. Perhaps the most important of the political activists from the Boston Reform League. Published numerous articles and broadsides from 1863 to '95. Wrote "Revenue Reform"(1871), and "The Margin of Profits"(1887). He was rabidly pro-free trade, and emerged as a key supporter of Grover Cleveland.

J. Schoenhof - Wrote "The Destructive Influence of the Tariff"(1883), and "The Economy of High Wages"(1893).

William Graham Sumner (1840-1910) - Known today as the leading American Social Darwinist of 19th century, Sumner was a top operative in the Episcopal Church, and a major figure at Yale University. Studied at Oxford and joined Yale faculty in 1872. He joined the Social Science Association in the mid '70s. He was a violent critic of Henry Carey and one of the most vocal defenders of Malthus in America. In 1883 he wrote both "The Absurd Effort to Make the World Over," defending laissez faire as being justified by the laws of evolution, and also "Protective Tariffs and Wages," attacking high tariffs & high wages. Other works attacking protective tariffs include "The Argument Against Protective Tariffs"(1871), "Wages"(1882), "Evils of the Tariff System," (with David Wells and JB Sargent - 1884), "Mr. Blaine on the Tariff" (1886), "Protectionism: the 'ism' Which Teaches that Waste Makes Wealth" (1887). He also wrote the "History of American Currency," where he declared the greenbacks to be America's "gravest historical error" of the 19th century.

C. F. Dunbar (1830-1900) - Member of the Social Science Association. Dunbar became the first holder of

the Chair of Political Economy at Harvard University. He founded the "Quarterly Journal of Economics." He published frequently in the *North American Review*.

Simon Newcomb (1835-1919) - Taught Mathematics and Astronomy at John Hopkins University. He is famous today for developing the "Quantity Theory of Money." Newcomb was a rabid free-trader, and he opposed greenbacks & bi-metalism. He wrote the "Principles of Political Economy" (1886). He served as the president of the American Association for the Advancement of Science, and he also was the founding president of the cultish "Society for Psychic Research."

David Wells (1828-98) - The 1870's activities of Wells have already been discussed. Additionally, during the 1870's and '80's Wells was a prolific writer, and perhaps the most extreme of the whole group in his open allegiance to Britain. Among his works are: "Contraction," "Robinson Crusoe's Money" - illustrated by Thomas Nast, with attacks on Henry Carey (1876), "The Creed of Free Trade" (1876), "How Shall the Nation Regain Prosperity?" (1877), "The Resumption of Specie Payment" (1877), "The Evils of the Tariff System" (1884), and "Great Britain and the United States: Their True Relations" (1896).

Lyman Gage - Founder of the "Honest Money League of the Northwest," which battled Carey's influence in Ohio, Illinois and other key states. Gage was a free-trade bullionist, whose writings were widely circulated into the same business and industrial circles that Carey was organizing. Gage was first a Chicago and then a New York banker during the '80s and '90s. He was appointed Secretary of the Treasury by William McKinley and played a key role in the adoption of the Gold Standard Act of 1900.

Perhaps the most influential enemy of Carey's economic policies was Francis A. Walker (1840-97). The son of Social Science Association member Amasa Walker, Francis A. was hailed in the 1880's and '90's as "America's leading economist." He was the first lecturer on economics at John Hopkins University in 1876; the first President of the American Economic Association; the President of MIT; the head of the Statistical Bureau of the US Treasury, where he was the Superintendent of the 9th and 10th census. In 1881 he wrote "Land and Its Rent," a violent attack on Henry Carey, in defense of Ricardo's "Theory of Rent."

Walker stated that "Capital arises solely from saving. It stands always for self-denial and abstinence, and interest is the reward of abstinence." Between 1875 and his death Walker published numerous works wherein he proselytized for brutal austerity policies. These included, "The Wages Question" (1876), "Money" (1878), "Political Economy" (1883), and "Discussions in Economics & Statistics" (1899).

### Carey's Defense of Imago Viva Dei

A couple of quotes from Carey's enemies give evidence of the type of world view he was battling:

"So broad and straight is the channel by which immigration is being conducted to our shores, that there is no reason why every stagnant pool of European population, representing the utter failures of civilization, the worst defeats in the struggle for existence, the lowest degradation of human nature, should not be completely drained off into the United States. So long as any difference of economic conditions remains in our favor, so long as the least reason appears for the miserable, the broken, the corrupt, the abject to think that they might be better off here than there, if not in the workshop, then in the workhouse, these Huns, and Poles, and Bohemians, and Russian Jews, and South Italians will continue to come, and to come by millions." - Francis Walker, *Report of the Census Bureau*, 1891.

"In the struggle for existence between different classes of human beings, it is the lower classes which survive, because they are more prolific than those above them; while the upper classes, just in proportion to the degree of their elevation, either increases slowly, or tend to die out altogether. And this victory of the lower classes in the battle for life is a survival, not of the fittest, but of the unfittest, so that it constantly tends to a deterioration of the race, instead of contributing to its improvement," - Francis Bowen, *Malthusianism*,

Against this bestialized view of humanity, Henry Carey set forth his view. In 1867, Carey republished his major 1858 work *Principles of Social Science*, with a new introduction titled *Review of the Decade 1857-67*. He begins the introduction:

“DESIRING fully to understand and properly to appreciate the men around us we study their antecedents, and thereby, in some measure, qualify ourselves for predicting their probable future. So is it, too, with nations. That we may understand the direction in which they are moving, whether toward civilization, wealth, and power, or toward barbarism, poverty, and weakness, it is needed that we compare their present with their past and satisfy ourselves as to whether their policy has tended in the direction of developing those qualities which constitute the real MAN, the being made in the image of his Creator, fitted for becoming master of nature and an example worthy to be followed by those around him, or those alone which he holds in common with the beasts of the field, and which fit him for taking place among men whose rule of conduct exhibits itself in the robber chieftain's motto, ‘that those may take who have the power, and they may keep who can.’

“The ‘balance’ of material power is no longer in Britain's hands. That what yet remains of moral influence must speedily pass away will be obvious to all who reflect on the fact that the moral feeling of the world has been and is now being daily more and more offended: By the spectacle of overgrown wealth at home side by side with a destitution the most complete: By the pro-slavery tendencies of a system that at home produces a necessity for cheapening labor, and has elsewhere led to advocacy of negro slavery as the only mode by which to obtain cheap cotton,: By the spectacle of a neighbor nation - one that in the past had given to Britain her ablest statesmen and most distinguished soldiers - now passing rapidly out of existence,: By the tyranny over hundreds of millions of Asiatics, feeble as they are, that is daily exercised...

“More than thirty years since there was in Britain what was called a “Reform,” but it was limited to changes of form, leaving the policy untouched. The result is seen in the facts here given. Now again, there is to be a great reform. Will it, however, prove more successful than the former one? Most certainly not, if the cheap labor system is to be maintained. Not, if the laws of morality are to be, as now, daily set at defiance in the treatment of the 500,000,000 of Asiatics so much subjected to British influence. Not, if all the poor and weak communities of the world are to be driven, at the point of the bayonet, to confining themselves to the work of raising raw produce for distant markets, the proper work of the barbarian and the slave, and of them alone. Not, if Britain shall continue to have for her motto, in all international relations, that “the end sanctifies the means.” Not, certainly, if British policy shall continue to set at defiance, as it now daily does, that great law of Christianity which teaches that duty to our Creator and to our fellow men demands that we do unto others as we would that they should do unto us...

“That England has passed her zenith, and that, in common with Tyre, Carthage, Venice, Holland, and all other merely trading communities that had preceded her, she is destined, and that at an early day, to take her place among the great powers of the past.”

The very next issue of the Brahmins’ *North American Review* ran an anonymous scathing review of the Carey work. The writer, after defending John Stuart Mill, British policies in India, and free trade, concludes the review by saying: “Mr. Carey’s work is principally valuable as an example of the possible aberrations of the human intellect, and of the absurdity of the popular method he employs when applied to questions of practical statesmanship.”

### Identifying Satan’s Mother

In 1870, Carey published a short work, entitled *Money*. His brief analysis contrasts the difference in

American and British thinking in a way even the most dense should comprehend:

“Wealth consists in the power to command the services of the always gratuitous forces of nature. That power grows as men are more and more enabled to combine their efforts for nature's subjugation. That such combination may be effected there must be that diversification in the demands for human power which results from variety in the modes of employment. The more thorough that diversification the greater is the tendency towards production of men like Fulton, Morse, Davy, Faraday, Bessemer, Scott, and Dickens, greatest of all the "producers of wealth," although wholly excluded from consideration by men who restrict the domain of economical science to material wealth alone.

“Looking now, however, across the Atlantic, we find in the British islands a people counting less than 30,000,000, controlling those great forces to the extent, as we are assured, of the power that would be furnished by 600,000,000 men, giving no less than twenty non-consuming slaves to each person, young and old, male and female, of the total population. We have here an amount of wealth the like of which has never until now been known; and yet, so far has it been from giving such improvement as is above described that Ireland presents a condition of things disgraceful to the age; that Scotland exhibits great districts now in a state of almost entire wilderness which half a century since were occupied by a people of high intelligence; that English agricultural labor, as stated by the *Edinburgh Review*, a most uncompromising advocate of the existing system, has before it no future but the poor-house...

“What, however, under these circumstances, is the course of things at home? What, when war rages as above described - when ‘wealthy capitalists’ are filling all markets, foreign and domestic, with goods to be sold at less than cost - becomes of Englishmen of moderate fortunes who find themselves unable to meet the terrific domestic competition thus established? Are they then not driven to the wall? Assuredly they are, each successive crisis witnessing the bankruptcy of thousands of the most useful men, with corresponding increase of the control of those great ‘capitalists’ over both labor and its products. Wealth grows, but the tendency is, and under such circumstances must necessarily be, towards its centralization in fewer hands, the rich becoming daily richer; the Times meanwhile assuring us that it seems beyond the wit of man to devise any means of arresting the flood of pauperism which has now set in, and which rises higher with each successive tide.

“The British system is a war of capital against labor, both domestic and foreign, and hence it is that the Times finds it necessary to advise its readers to be careful that, ‘in advocating the ‘rights of labor,’ they are not digging a grave for free trade.’ It is a war for the annihilation of all such rights, abroad and at home.

Wealth grows with the growth of man's power over nature. The more that growth the more feeble becomes nature's resistance, and the greater is the tendency towards acceleration of progress in the further growth of wealth.”

## 19) THE UNITY OF LAW

In 1872 Carey published his last major theoretical work, *The Unity of Law*. This work can only be understood as a total open declaration of war on the bestial British/Brahmin world view:

“Created in the image of his Maker, man should participate in His intelligence; but without language there can be no ideas - no power of thought. Without it, therefore, he must remain in ignorance of the existence of powers granted to him in lieu of the strength of the ox, the speed of the hare, the sagacity of the elephant, and must remain below the level of the brute creation. To have language there must be association and combination of men with their fellow-men, and it is on this condition only that man can be man; on this alone that we can conceive of the being to which we attach the idea of man. ‘It is not good,’ said God, ‘that man should live alone,’ nor do we ever find him doing so - the earliest records of the world exhibiting to us beings living

together in society, and using words for the expression of their ideas. Whence came those words. Whence came languages? With the same propriety might we ask - Why does fire burn? Why does man see, feel, hear, or walk? Language escapes from him at the touch of nature herself, the power of using words being his essential faculty, enabling him to maintain commerce with his fellow-men, and fitting him for that association without which language cannot exist. The words society and language convey to the mind separate and distinct ideas, and yet by no effort of the mind can we conceive of the existence of the one without the other. Ever since the time of Wilhelm von Humboldt, all who have seriously grappled with the highest problem of the science of Language have come to the conviction that thought and language are inseparable - that language is as impossible without thought as thought is without language; and that they stand to each other like soul and body, like power and function, like substance and form.

“Next among the qualities by which man is distinguished from all other animals, is that of RESPONSIBILITY before his fellow-man, and before his Creator, for his actions...

“Lastly, man is distinguished from all other animals by his CAPACITY FOR PROGRESS. The hare, the wolf, the ox, and the camel are the same as those that existed in the days of Homer... Man alone records what he has seen and learned, and man alone profits by the labors of his predecessors...

“The more perfect that power, the greater is the tendency towards increased control of mind over matter; the wretched slave to nature gradually yielding place to the MASTER OF NATURE, in whom the feeling of responsibility to his family, his country, his Creator, and himself, grows with the growth of power to guide and direct the vast and various forces placed at his command.

### Of Matter and Mind

“Of all the tyrannies recorded in the historic page there is none that has proved so searching and so destructive - none that has so greatly tended to maintenance and extension of the already existing control of matter over mind as that exhibited in British India. On this continent, and in all other of the British possessions, the end in view has been only that of preventing all combination of effort and therewith all growth of civilization; but in India it has been that of annihilating an already existing civilization...

“On whom now rests the responsibility for the disturbed condition of the world; for a growth of material at the cost of mental power among hundreds of millions of the world's people; for a growth of capital at the cost of labor so clearly obvious among those millions; for an arrest of civilization everywhere? Assuredly, on those bankers, brokers, traders, and manufacturers who control a power so wonderful for good, if rightly used; so infinitely promotive of evil when used as thus far has been the case with that at their command. Russia, Germany, and the American Union, seek to bring about an orderly arrangement of the positives and negatives of which their societies are composed; and with every stage of progress the social edifice tends more and more to take that form which secures the greatest strength, stability, and permanence. Britain, on the contrary, seeks everywhere to prevent such arrangement from coming into existence; and at every stage of progress her own edifice tends more and more to take upon itself a form similar to that of defunct societies of the past... With each and every step thus far made in that direction pauperism and vagrancy have grown; capital has obtained more and more control over labor; matter over mind. So must it be in all the future, the societary edifice becoming from hour to hour more and more top-heavy, and the day of its downfall coming more and more near to hand.

### Civilization

“Of all contrivances for crushing out all Christian feeling, and for developing self-worship, that the world yet has seen, there has been none entitled to claim so high a rank as that which has been, and yet daily is,

assigned to the Malthusian Law of Population. Passing on, we find Mr. Ricardo assuring his readers that the 'natural rate of wages is just that price which is necessary to enable the laborers, one with another, to subsist and perpetuate their race, without either increase or diminution;' not, however, explaining why he himself, who never labored, should be entitled to claim any higher 'rate' than that he thus established for the class which had given to the world men like Shakespeare and Luther, Gutenberg and Franklin, Arkwright and Watt. In like manner, the planter assures himself that the 'natural rate of wages' is just so much 'hog and hominy,' or rice and molasses, as will enable the laborer, and the laborer's wife, to perform their daily work in the field and to perpetuate their race. Being mere chattels why should they, or those others of whom Mr. Ricardo speaks, ask for more? In what, however, are his claims superior to those of Uncle Tom, or little Topsy?

"The time has now arrived; that extension of the Malthusian doctrine which exhibits itself in 'survival of the fittest,' and consequent crushing out of those least 'fitted' for life's contest, having already come to be regarded as being as applicable to communities whose numbers count by hundreds of millions, as it originally had been to towns and villages whose numbers were limited to tens or hundreds of thousands. Being weak, why should not the Hindoo or Chinese race now give place to the powerful Caucasian one.. So, as we are told, it must assuredly be, the whole earth having been intended for that superior race which, for all the centuries that have elapsed since the days of Vasco de Gama, has been engaged in plundering and murdering those less instructed people who make their homes on the borders of the Indian Ocean, and in the lands of the South Pacific.

"Civilization consists in that self-respect which comes as necessary consequence of growing power to command the great natural forces; and which manifests itself in respecting in others, whether individuals or nations, those rights whose exercise we claim as inherent in ourselves. Barbarism exhibits itself in that self-indulgence, on the part of those who are strong and rich, whose effects, throughout all those portions of the world subjected to the control of Britain's great non-consuming army, now manifest themselves in growing tendency toward the establishment of serfage as the condition of the toiling millions; and whose best apologists are found in men who teach that in quiet submission to the orders of that army's chieftains is to be found the panacea for all human ills."

## 20) DENOUEMENT

Henry Carey died at the age of 85 on Oct. 13, 1879. By 1880, the forces around William Kelley were reduced to a small minority in Republican ranks, the Democratic Party was firmly in the hands of the "hard money" faction, and the Greenback-Labor Party had already started its decline.

In 1880 the Greenback-Labor Party nominated James Weaver. Weaver won 309,000 votes in the November election, but the party was undermined when it decided to return to the sectarian policy of "pure greenbackism." At the Chicago national convention, Marcus Pomeroy had threatened to withdraw his 10,000 Greenback Clubs from the party unless it abandoned the fusionist tactics of 1878. Incredibly, the 1880 Greenback platform contained no mention of the Specie Resumption Act! In 1884 the Party ran its last Presidential Candidate, Benjamin Butler, winning only 175,000 votes. In 1886 the Knights of Labor created the "Union Labor Party" and had some limited success in local and state elections, and in 1888, it ran A.J. Streeter, an Illinois War Democrat, for President. But this was the last gasp of the Greenback movement. Sectarian and fringe elements, which had always existed in the movement came to the fore. Groups like the Anti-Monopoly Party and the Henry George organization in New York City functioned as political "countergangs" to sabotage any effective resistance.

Thomas Ewing's efforts in the Democratic Party never succeeded in breaking the party out of the control of the Boston/New York cabal. The emergence of the "solid south" under the Confederate allies of the Boston Brahmins, destroyed any potential for the Democratic Party to evolve as a true national party, and

relegated it to the role of a regional vehicle dominated by the old ante-bellum slave states (the Confederacy plus the slave border states). In the election of 1880, e.g., 214 Republicans and 152 Democrats were elected to the House of Representatives. Of the 152 Democrats, however, 138 were elected from the pre-1860 slave states, and only 14 from the rest of the country! In that same year's presidential contest, Republican James Garfield defeated Democrat Winfield Hancock, 214 Electoral College votes to 155. Outside of the former slave states, however, Hancock received only 17 electoral votes.

Henry Carey's plan for a permanent political majority based on the producing regions of the center, the west and an industrialized south never happened. The Democratic Party became a home for the un-reconstructed supporters of the Confederacy. This southern dominance would not be challenged until the 20th century emergence of the large, immigrant-based, urban political machines in the north.

In 1884, faced with the threat of another James Blaine presidential campaign, the leaders of the Boston Social Science Association orchestrated a wholesale move of the "mugwump" faction into the Democratic Party. Mugwump leader E.L. Godkin said of Blaine, "He wallowed in spoils like a rhinoceros in an African pool." Publications like the *North American Review*, the *Nation* (Godkin), *Harper's Weekly* (George W. Curtis), the *New York World* (Joseph Pulitzer, a Shurz protege), and individuals such as Carl Shurz, Thomas Nast, Mark Twain, Henry Adams, Charles W. Eliot of Harvard, Henry Ward Beecher, Andrew D. White of Cornell, and Henry Villard all came out for the Democrat Grover Cleveland, who ran on a platform calling for the Gold Standard, free trade, and civil service reform.

### The Populists & the Gold Democrats

In the late 1880's the populist and "free silver" movements were launched, culminating in the 1896 "Cross of Gold" campaign by Ku Klux Klan supporter William Jennings Bryan.<sup>(7)</sup> Virulently pro-free trade, and absent of any commitment to a scientific or industrial development policy, the Bryan Democracy was nothing but a return to the agrarian Jacksonian populism of the ante-bellum years.

The Peoples Party was founded in Omaha, Nebraska, in July of 1892. It was based almost entirely on the southern and western Farm Associations, which by the 1880's had replaced the Grange movement as the dominant rural political force. Many disoriented western greenback leaders, including James Weaver of Iowa and Ignatius Donnelly of Wisconsin, moved into the populist camp. Missing from this emigration, however, were the eastern and mid-western labor greenbackers, particularly the Knights of Labor.

When the Democrats nominated Bryan in 1896 on a populist "free-silver" platform, the Boston Brahmins organized a split in Democratic ranks and founded the pro-gold standard National Democratic Party (NDP). Founders of the NDP included Edward Atkinson, Charles Francis Adams Jr., Horace White, and E.L. Godkin. Lesser known activists in the party included Woodrow Wilson, Oswald Villard, and Louis Brandais. This was essentially the same mugwump crowd that sabotaged Blaine's campaigns in 1876, 1880, and 1884. Lyman Gage and Grover Cleveland both endorsed the new party as did various "hard money" organizations like the Illinois Sound Money League, the New York Free Trade Club, the American Free Trade League, and the Honest Money League of Chicago.

In the election the Gold Democrats received a dismal one percent of the vote, and the party soon went out of existence, but it had fulfilled its purpose, which was to keep the Republicans solidly in the pro-gold camp, by threatening to undermine their business and financial support if they strayed to the left to meet the Bryan challenge.

### The Republicans

Within the confines of the British Gold Standard, the best of the Republican Party leaders continued the



push for industrial and scientific progress. In the 80's and 90's, the key economic battle fought and won by Republican leaders, particularly James Blaine and William McKinley, was in maintaining the Carey policy of high protective tariffs.

In December of 1887, President Cleveland, in his annual message to Congress, declared war on the system of protective tariffs, demanding their immediate repeal. Days later, the reply to Cleveland came from James Blaine, who gave an extended interview published in the *New York Tribune*, vigorously defending protection.

In 1886, William Graham Sumner of Yale had published a vicious attack on Blaine, entitled *Mr Blaine and the Tariff*, and, if you look at the list of published writings by the members of the Boston Social Science Association that is included earlier in this article, you will find, that in the 1880s and '90s, with the exception of the wage question, it was the tariff issue they were fixated on. They were determined to subject America to British free trade.

Blaine, himself, came within an hairs-breadth of the Presidency, losing the 1884 presidential election to Grover Cleveland by only 24,000 votes, out of 10 million cast. An unprecedented campaign of personal vilification was conducted against him in the mugwump press, led by *Harper's Weekly*. During this same period, and later as Secretary of State from 1889 to 1892, Blaine coordinated an aggressive anti-colonial American foreign policy.

In 1890, William McKinley authored what became known as the McKinley Tariff which reestablished the high tariff rates of the Civil War, and as President, in 1897, McKinley signed into law the Dingley Tariff, the highest protective tariff in the nation's history.

All of these accomplishments, however, occurred within a U.S. political environment, characterized by the continuing erosion of the Carey forces, and the increasing takeover at the top of both political parties. In 1900 McKinley's Treasury Secretary Lyman Gage - the same Lyman Gage who fought Ewing in Ohio in 1875, battled the Greenback-Labor Party in 1878, and endorsed the Gold Democrats in 1896 - convinced McKinley to sign the Gold Standard Act, which officially and legally subordinated the United States to the British Gold Standard. Gage bragged to newspapers that the United States was now "bound by law to maintain a parity of value between all forms of money issued or coined by the United States and the Gold Dollar." One of Gage's major allies in this was the former Confederate Army second in command, under Robert E. Lee, Gen. James Longstreet.

Carey's closest ally in Congress, William Kelly, died in 1890. James Blaine died in 1893. McKinley was assassinated in 1901. From that point on, the Lincoln/Carey policy would have no national voice. Although many good individuals continued their efforts on the local and state level, the Lincoln/Carey policy of a partnership between the government and the producing classes, and the moral pledge of the national government to defend the General Welfare had been broken. This situation would not change until the 1932 cross-party campaign of Franklin Roosevelt, when he reassembled a national political majority against the "economic royalists" of Wall Street, and in defense of the "forgotten man."

## 21) CONCLUSION

Specie Resumption resulted in the total monetary and financial subjugation of the United States in the years following 1879. The 1873, 1884, 1893, and 1907 panics, along with other less famous financial convulsions, were all a result of this horrible blunder. These panics were all artificial. That is, their effects were real, but they did not arise from any major internal weaknesses of the U.S. economy, nor from bad economic decisions made within the United States. The panics - and depressions - all originated from decisions made in London, and were imposed from the outside on what was actually a relatively healthy productive U.S. economy. They were also unnecessary. Henry Carey had spelled out the alternative during the 1870s:

- 1) Make greenbacks legal currency for all debts and transactions.
- 2) Conduct a moderate, but continuing, expansion of circulating currency.
- 3) Reform the National Banking System, to limit speculation, and to make productive (Hamiltonian) credit more available throughout the south and west.
- 4) A rapid, and in-depth, industrial and infrastructural development of the south.
- 5) The continued industrial development of the west and center, under the aegis of a high protective tariff.
- 6) The expansion of these "American System" policies internationally, particularly into Mexico and Latin America.

Had something even approximating this approach been consolidated, as national policy, the productive economic capabilities of the United States would rapidly have so far outstripped those of the European colonial powers, that those powers, including Britain, would have continued to operate only as an increasingly marginalized force within an entirely new global geometry. They would have been forced to adapt to the rules of this new geometry, precisely as Carey had laid out in his Letters to Schuyler Colfax, *How to Outdo England Without Fighting Her*.

In the years following his death, Henry Carey's influence spread globally, and his ideas had a profound effect on political and economic developments in Russia, Japan, Germany and many other countries. The important, and full story of those developments can be found in other locations.(8) The tragedy, however, is that, despite this worldwide spread of American System economics, the defeat in the United States had left the British Empire - and its financial hegemony - intact.

The industrial development of the United States from the 1870s through the 1890s was impressive, even astounding. Yet, it primarily derived from two things -- first, the long term continuing benefits of what had been achieved between 1861-65 under Lincoln, and, second, the successful maintenance of the high protective tariff. Imagine what could have been! Were Carey's entire program implemented, what would the 20th century have been then?

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#### FOOTNOTES

- (1) For more on Henry Carey, see Salisbury - "The Civil War and the American System" and also Executive Intelligence Review, Vol \_\_\_\_, No. \_\_\_\_\_
- (2) New Federalist, \_\_\_\_\_
- (3) For more on the Boston drug runners, see Chaitkin - "Treason in America," Chapter 9
- (4) Frederick List \_\_\_\_\_
- (5) 'Copperhead' was the popular term to describe a pro-Confederacy (or 'anti-war') northerner.
- (6) Chaitkin - "Treason in America" - Chapter \_\_\_\_\_
- (7) At the 1924 Democratic National Convention, Bryan intervened personally to block a resolution condemning the Ku Klux Klan that had been introduced by supporters of New York Governor Al Smith.
- (8) \_\_\_\_\_

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